



How to Fix Rhode Island's Economy

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How to Fix Rhode Island's Economy



We all know the statistics:

- Highest taxes
- Highest unemployment
- 1st into recession, last out
- Worst bridges and roads
- High corruption
- Losing population
- Worst funded pension system

“48th worst state to do business...It's driven all big business out of the state.”

-- Jack Welch

Source: Jack Welch, “Rhode Island Drives Business Away,” WPRI interview, 10/30/08.

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Forbes ranks Rhode Island DEAD LAST in terms of the best states for business (even below Michigan):

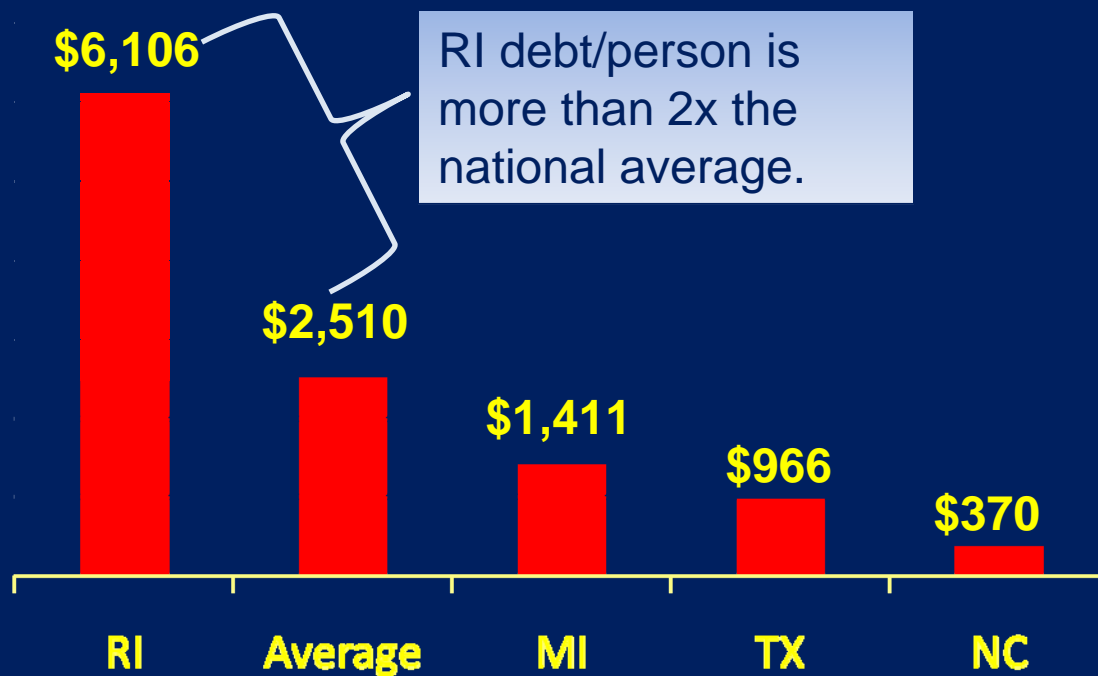
State	Overall Rank	Regulatory Environment Rank	Economic Climate Rank
New Hampshire	19	46	26
Massachusetts	34	22	33
Connecticut	35	33	31
Michigan	49	6	50
Rhode Island	50	50	48

Source: Forbes, "The Best States for Business," 9/23/09.

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Our debt per person is now the second highest in the 50 United States:



Source: S&P State Pension Funding Study, 2/26/09, pp. 401-402.

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To make matters worse, our elected officials knowingly produce budgets that lead to further deficits (fraud)

- They refuse to meet even in crisis
- They raid the Rainy Day Fund
- They stop funding the pension
- And like a scene from the French Revolution, State reps take free health insurance for a part-time gig – effectively telling us all to “eat cake”

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- People are leaving Rhode Island in droves. Our children must leave to find work in other states!
- If we don't fix our problems now – we will NEVER recover
- We need to create JOBS!

"I think the issue comes down to who is going to create jobs."

-- Jack Welch

Source: Jack Welch, "Rhode Island Drives Business Away," WPRI interview, 10/30/08.

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Laffey's 10-Point Plan to Create Jobs and Fix Rhode Island's Financial Crisis:

There is only one way to save
Rhode Island now --
**GET AHEAD OF THE DEBT CURVE AND
IMMEDIATELY RUN SURPLUSES!**

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1) PENSION REFORM

- Rhode Island has the worst funded pension system in America
- We have tried 3 fixes in 4 years. Now they are trying a 4th fix...and assets are still nowhere near liabilities
- We must send everyone in the system a check and fix it once and for all

“Stephen Laffey, who as mayor of Cranston dealt with one of the worst municipal financial meltdowns in America, says Rhode Island must do what many businesses have done: End the pension program, give out checks to people who have paid into it, and switch to a 401(K)-style retirement plan.”

-- The Providence Journal

Source: “R.I.’s Pension Pickle,” *The Providence Journal*, 12/13/09.

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It can be done!

- State law 36-11-12: “**Retirement system matters excluded from collective bargaining.** Any and all matters relating to the employees' retirement system of the state of Rhode Island are excluded as negotiable items in the collective bargaining process.”
- “Under federal law, if you have a rational reason you can change the state's pension statute. The only exception is where the legislature has made its intent ‘unmistakable’...The First Circuit Court of Appeals...has found no such ‘unmistakable’ intent.”

Sources: Retrieved 12/28/09: <http://www.rillin.state.ri.us/Statutes/TITLE36/36-11/36-11-12.HTM>
Report on Pensions Volume II, Testimony of Daniel K. Kinder, ESQ., May 28, 2008.

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RESULTS

- TAXPAYERS WIN!
 - \$500 million per year will be saved
 - Public debt per person will shrink from \$6,106 to \$1,510
 - Many cities and towns would be able to reduce taxes by approximately 10%
- STATE WORKERS WIN!
 - They get a check
 - They get flexibility
 - They still have a job
- Business outside Rhode Island will start to look at us in a whole new way! RI will be on the cutting edge of reform
- There is only one loser in this plan: PUBLIC SECTOR UNION BOSSES!

PENSION REFORM = JOBS

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2) SOCIAL SAFETY NET

- In the enacted FY2010 budget, grants and benefits account for 46% of all spending in Rhode Island
 - Medicaid eligibility in RI up to 181% of Federal Poverty Limit
- Need to match program eligibility to national averages
- Need “Welfare to Workfare”
 - Recertify participants to eliminate fraud
 - Institute a work requirement for remaining participants
- When implemented by Rudy Giuliani in New York, welfare costs declined by 20%

WELFARE REFORM = JOBS

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3) TAX RELIEF ACT FOR PROPERTY TAXES (as I proposed back in 2005...)

- Local pensions
 - Separate pensions from contracts
 - Give cities and towns authority to change set pension benefits
- Unfunded mandates -- pass laws to
 - Eliminate
 - Require state funding for the mandate or
 - Give local officials flexibility in implementing mandates

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- Educational accountability
 - Either school committees send out separate tax bills or school committee decisions are subject to city council approval
 - Give city councils the right to override state education regulations
 - Explicit State laws for cities and towns
 - The right to privatize
 - The right to layoff
 - The right to set pension benefits
 - The right to select health plans
 - The right to determine school class size, staffing assignments, academic calendar, hours and pupil assessment
 - Controlling health care costs
 - All employees pay private sector equivalent insurance premiums or participate in a consumer driven health care plan with a high deductible (HSA)

All of these reforms must be set ACTUARILLY to reduce property taxes another 20% on the hard costs alone

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So now Rhode Island is running big surpluses
and LOWERING PROPERTY TAXES by 30%

LOW PROPERTY TAXES = JOBS

AND WE ARE NOT DONE!

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These reforms will lead to JOBS, JOBS, JOBS. And Rhode Island needs JOBS!

4) TF GREENE AIRPORT AIRPORTS = JOBS

- Must expand main runway to 9,100 feet

5) PORTS PORTS = JOBS

- Rhode Island ports must be expanded and fully operational in Providence and Quonset
- I want to see hard hats, pile drivers and longshoremen unloading big containers!

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Once we are running surpluses, we will systematically reduce taxes...

6) ELIMINATE CAR TAX

NO CAR TAX = JOBS

- This is an extremely regressive tax, it must be eliminated!

7) ELIMINATE CAPITAL GAINS TAX

NO CAPITAL GAINS TAX =

- Let's tell the world that you can come to Rhode Island, start a business, employ people and make money!

8) ELIMINATE ESTATE TAX

NO DEATH TAX = JOBS

- Let's tell the world you can retire here! Everyone come back from Florida!

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9) LOWER REVENUE TAXES

- On the revenue side, all of our taxes must be lower than Massachusetts:
 - RI income tax must be lower than MA
 - RI sales tax must be lower than MA
 - RI must declare more sales tax holidays than MA
 - In order to avoid serious fall off in revenue during recession, we must have FLAT LOW TAXES

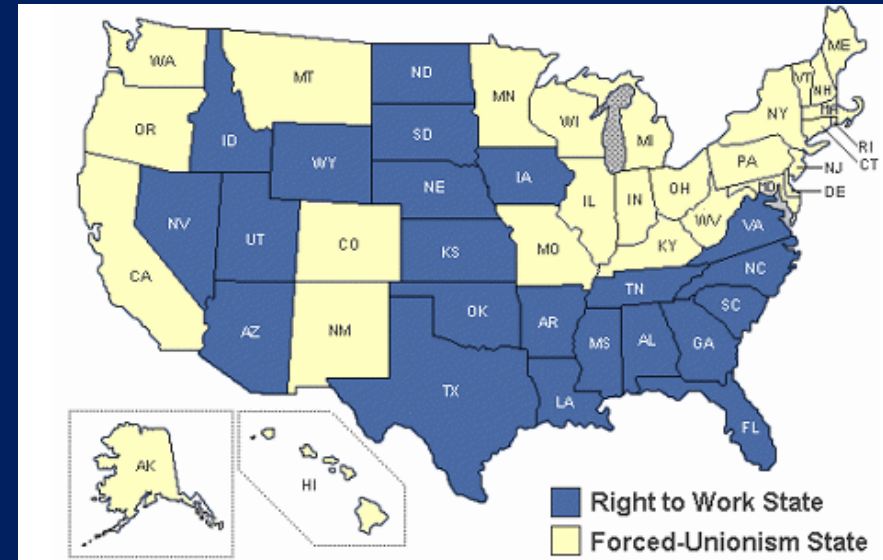
FLAT LOW TAXES = JOBS

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10) AND THE GAME CHANGER...

- We must be a RIGHT TO WORK STATE (employees can't be required to join a union or pay dues to be able to work)
- RI would be the ONLY right to work state in the Northeast, giving us an INCREDIBLE competitive advantage
- Think Toyota, Honda and GE building plants and hiring Rhode Islanders to work at factories right here in the Ocean State!



RIGHT TO WORK = JOBS

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To do this...

- We need to have a direct confrontation with the special interest public sector union LEADERS and the General Assembly, even if it means ruffling a few feathers. That's the only way to fix Rhode Island's economy.