# Rhode Island Policy Reporter

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## *Budget Follies*

OUR STATE GOVERNMENT faces several serious problems. We face structural imbalances that threaten disaster in the readily foreseeable future. We continue to budget as if statewide decisions have no impact on local finances. We see entrenched interests regularly grab more of the state's economic pie than they deserve. And we simply watch as life for the state's most vulnerable citizens is made increasingly difficult year after year. The list goes on.

The state government isn't the only one with problems. Many of its citizens have problems that no one but the government is in a position to solve: hunger, inadequate housing, expensive or unavailable health insurance, declining fishing yields, unavailable child care for those who have to work, climbing property taxes. The list is long. But to judge from the published budget, virtually none of these are on the Governor's agenda.

With the possible exception of some economic development proposals, the budget presented doesn't really address *any* of the serious problems that face us. Rather it relies on time-tested strategies to squeak by for another year: ask for give-backs from employees, raise revenues where it's convenient, ignore the people who need the state's help the most, and refuse to face up to the pressing issues around the corner. It's worth asking what's the point of bold leadership if it doesn't lead us anywhere in particular.

A dozen years ago, in 1991, we faced an economic downturn having squandered our opportunity to shore up the state's finances by Ed DiPrete's ill-considered tax cutting during the flush times of the late 1980's. Our leaders apparently didn't learn from that experience, and the late 1990's brought us a game of fiscal chicken, as Lincoln Almond and the Legislature fought to see who would cut taxes the most. Neither side would give in, and the result is a wreck. This, not out-of-control state spending is the cause of our current budget predicament.[1] We face the current recession in almost the same position we were in twelve years ago: hamstrung by unaffordable tax cuts, and seemingly unable to address the important issues before us. Were we to believe the Governor's budget, hunkering down and hoping to weather the storm is all we can expect to be able to do.

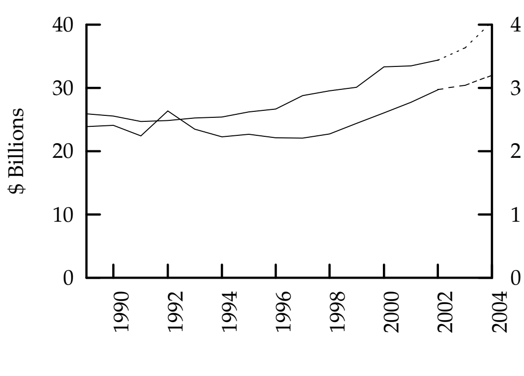


Figure 1: The top line (scale to the left) is the Gross State product, in constant 1996 dollars, as estimated by the federal government. The dotted extensions to both lines are derived from estimates made by the RI revenue estimating conference. The lower line (scale to the right, also in billions of 1996 dollars) is total state spending, minus federal grants, and college tuitions. Though it rises in recent years, it's down as a proportion of GSP from 9-10% 15 years ago to levels closer to 8.5%. The new budget would have it below 8% for the first time since well before 1988. This is hardly runaway spending, even if there have been increases in recent years.

## Economy

Times are tough right now, and likely to stay that way for a while. The Governor's budget is cautiously optimistic, but events since February and the larger picture of the world's economy militate against much optimism. We've seen some recent encouraging signs in the local economy, but some little fluctuations are always to be expected in a system as dynamic as an economy. Deciding whether these movements represent trends, or just random wiggles demands time. One of the economic forecasting services used by the state reports that our economy has fluctuated "between contraction and expansion on almost a monthly basis." [ES13][2] But this is not a sign of great health.

Looking at the larger picture, where are the forces to pull us out of any recession? Consumer debt is high, industry worldwide has excess capacity, many of the productivity gains of the computer revolution (to the extent that there were any at all) have been realized, and our government's idea of stimulus is tax cuts for people who will likely save most of it. And the federal government is not the only culprit here. Ignoring the economic lessons of Keynes and Roosevelt, governments at every level are cutting back, privatizing, and lowering taxes. Worldwide, some are doing it because the IMF and World Bank are forcing them to, others, like the US and Europe are doing it because the central economic insitutions in those economies are in the grip of free-marketeers who don't think about the long-term payoffs of heavy investment, but only the costs of that investment. (Not to mention the short-term political payoffs of tax cuts.)

[1] A report from the Poverty Institute documents this well. See "Where Did The Money Go? Rhode Island Revenues and Spending 1993 to 2003" at www.povertyinstitute.org.

[2] These are page numbers referring to one of the volumes of the budget. "ES" is the Executive Summary volume. "B" is the Budget, "CB" the Capital Budget, and so on.

Somewhat more worrisome is the international position of the dollar. Interest rates in America today are much lower than they could be if demand for dollars outside our borders were not so strong. Oil is priced in dollars, dollars are the reserve currency of the third world, and hundred dollar bills are the staple of international crime. The flow of these dollars overseas means that we can import stuff from abroad without having to export nearly as much. Which is to say that our economic position in the world depends a great deal on the world's faith in us and our currency. This is all fine until the rest of the world loses faith in our ability to manage our own finances. Skyrocketing federal budget deficits, and a go-it-alone foreign policy are not necessarily the best ways to maintain that faith. The dollar has been sliding for a few months, and maybe this is just a correction, and maybe it's the beginning of something more serious. The result may be that sometime soon the Federal Reserve will have to supplement that faith by raising interest rates higher than our economy in isolation would demand.

*There is no good season for reform: in bad times there's no money. In good times, we get tax cuts instead.*

To bring this analysis back to the state level, there are two important points. One is that it is quite possible that our economic circumstances will get a lot worse before they get better. And two, though we are currently able to borrow at low rates, this may not last as long as we'd like. Borrowing should be discretionary, not indispensable.

The point is not that we should panic, but that we should not wait for outside events to solve our problems. We shouldn't cherish hopes that turning economic tides will take care of the structural problems in our budget, the misallocation of our investment, or the plight of our most vulnerable citizens. There is no sense in waiting to address these problems. They only get worse through inattention, and the wait for salvation will be (and has been) a long one.

Over time, we've learned that for the programs that make our state a better place to live—education, community investment, the safety net—there is no good season. When times are tough, like now, politicians will say that there is no money for these "frills." But when times are fat, apparently tax reduction is a greater good. The lesson is that there's no point in waiting. A good idea may be more difficult to enact in bad times, but it's foolish to wait.

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*Editor's Note*

This is the first in a series of regular (more-or-less monthly) reports about state and federal policy issues that affect life here in the Ocean State. Each report will focus on particular policy areas of interest. This issue looks at parts of the state budget. Subsequent issues will examine controversial aspects of environmental policy, health care, property tax reform, and education spending. The intention is to focus on what the actors in these policy arenas are actually doing, rather than what they're saying about it.

If you'd like to help, please contribute an item, suggest an issue topic, or buy a subscription. If you can, buy two or three, and help get us off the ground.–TS

## Spending

The vast majority of the spending increases shown in the budget—in number of departments, if not in total amount of dollars—have to do with increased health benefit costs for state employees. These run through all departments. Few programs are being expanded, and the state payroll is not expected to grow at all, but substantial increases show up in department after department, almost all due to increased benefit costs. Table 1 shows the important components of the state's total payroll costs.

| | FY03 | FY04 | Increase | |
|---|---|---|---|---|
| Salaries | 797.63 | 791.13 | -6.50 | (-0.8%) |
| Retirement | 67.29 | 68.43 | 1.14 | (1.7%) |
| **Blue Cross** | **131.38** | **167.99** | **36.61** | **(27.9%)** |
| FICA | 62.37 | 62.03 | -0.34 | (-0.5%) |
| Temp+Seasonal | 63.81 | 65.78 | 1.97 | (3.1%) |

Table 1: Salaries and benefits, summary for all departments. Dollar figures in millions. For FY03 there were 15,722.8 FTE and 15,727.8 for FY04.

It's worth noting that since 1998 (FY99), employee health benefits, predominantly purchased from Blue Cross of Rhode Island have gone up 106% while the state payroll has actually declined about 6%. During the same interval, state medicaid costs have increased 122% while enrollment has increased by almost 70%. That is, the per-

person costs of Medicaid have gone up about 6% per year while the per-person costs of Blue Cross coverage have gone up, on average, 13% per year, over twice as fast. The Governor's budget predicts that health benefit premiums will rise an average of 8.2% per year between now and FY08. The same predictions show that the total money spent on salaries will rise an average of 2.5% per year.

*State and local governments purchase health insurance for one family out of four in the state. Why do we let Blue Cross push us around?*

The state could have tremendous purchasing power in the health care arena. Rhode Island's state and local governments pay health insurance premiums, directly and indirectly, for more than 200,000 people, almost a quarter of the state. But its power is dispersed in several different risk pools: state employees, retirees, municipal employees, Medicaid recipients. The contract the Almond administration signed with Blue Cross was a scandal, allowing Blue Cross to collect exorbitant administrative costs, risk-free, while apparently doing nothing to contain the costs. What, we wonder, is the Carcieri administration planning to *do* about this besides suffer under it?[3]

Retirement Board actuarial requirements are due to force the retirement costs for state employees up by $13.1 million, and the cost for teachers up by $7.5 million. The Governor's budget suggests that the employees and teachers contribute 2% (of their salaries) more than in previous years. This would bring the state contribution down to a $1.1 million increase (see table 1), and $1.2 million for teachers. The total savings to the state from this plan is estimated to be $18.3 million [ES5].

**Duplication** There is a substantial amount of duplication in state services. In several cases, the duplication results from an agency that is part of the administration (e.g. DEM) and another designed to be run by the legislature (e.g. CRMC). The resulting policy confusion and duplicated services are the tangible legacy of the abstract problems of "separation of powers." But whatever the fate of the constitutional changes embodied in the separation bills, the Governor can act to deal with the inefficiencies. We run, for example, two television stations (Channel 36 and Capitol TV, which is dormant several months a year), two elections agencies (the Secretary of State's elections division and the Board of Elections), and three environmental agancies (DEM, CRMC, and the Water Resources Board). Several of these have overlapping jurisdictions and policy mandates, and others could benefit by sharing capital equipment or personnel.

Here are some other places where the dollars spent may not provide services equal to the programs slated for cutting.

- The RI Economic Policy Council spends about $500,000 of general revenue [B444]. They are said to provide a forum for hammering out economic policy, but the same function could (and should) be filled by the State Planning Council, which also is supposed to have representation from a broad spectrum of Rhode Island residents (and is a body legally required to exist to satisfy various statutes as well as federal funding requirements). The expertise supplied by the Economic Policy Council is available from members of the Statewide Planning department, now part of the Office of Library and Information Services. The Planning Department and the Planning Council were once more visible parts of state government, but were deprecated under the Almond administration, and many of its duties were reassigned to other departments.

  The Slater Centers, managed by EPC, are a valuable program, but the EPC will take $200,000 off the top of that $5 million, presumably as some kind of management "fee." The budget documents are silent about what kind of management the Slater Centers require, and whether EPC's services are worth this much money [B444].

  Practically speaking, EPC is a tax-supported lobbyist on behalf of corporations. Even if you feel this to be an appropriate use of state money, with the Senate and House leadership already willing to applaud virtually any business tax breaks, it is unclear how much value is provided for the money paid.

- The Economic Development Corporation receives $6.8 million in general revenue each year [B442]. Again, its economic development functions are redundant to other agencies, like EPC, and Statewide Planning. EDC was once the Department of Economic Development, when it was possible to keep some track of what they do with that money. As a quasi-public agency, their budget is subject to less scrutiny and their presentation in the state budget provokes more questions than it answers. For example, EDC lists $325,000 in income from the now-defunct RI Partnership for Science and Technology. [B460]. The agency should be split into two pieces: one to manage Quonset Point the other to look after issues of state economic development. These changes may already be underway. But the latter should further be made a department of the state

[3] The classic management solution, of course, is to pass the expense along to the employees, as with the extra retirement expenses described in the next paragraph. Look for increased co-pays and employee contributions to health coverage in next year's FY05 budget.

once again, subject to the same public disclosure rules as other state departments.

- The Lieutenant Governor's office is still the same size as it was before the office's primary responsibility was removed. The State Senate is now presided over by the Senate Majority Leader. The Lt. Governor's office functions now as a source of policy and research. These are useful functions, but questions remain, such as why the office requires a staff of nine, and whether such positions as the Lt. Governor's communications staff serve any state function beyond the personal interests of the office-holder [P90].

Any list of potential savings is bound to be controversial, and this list isn't meant to imply that the agencies in question don't do useful work. But we are in a climate where valuable state programs—some of which involve providing food, clothing and housing to people who desperately need them—are being cut. Are these services *less* important than the salaries of lobbyists for corporate tax cuts?

**Capital Projects** The "Rainy Day" fund was established under Bruce Sundlun in the early nineties. Each year the state withholds some money from the budget, and deposits it into the fund. The amount withheld (2% of general revenue) is fixed by law. When the fund balance reaches 3% of general revenue, the excess can be spent on capital projects. This is the "Capital Plan." This year, $54.8 million is available to be spent. The Governor's proposal is to spend $12.6 million on debt service, and the remaining $42.2 million on various capital projects [ES116].

A capital project is usually presented as a building, or a road or something tangible. But the idea behind a capital budget is much more general than that. The whole point of budgeting is to make predictions of the expenses and the revenues match up. When an expense in one year will have a benefit spread over many years, the budget will appear out of balance, unless expenses like these are segregated from other expenses, in a capital budget. Capital expenses are often financed with borrowing, which is a convenient—though sometimes expensive—way to spread expenses over several years.

With this definition in mind, it is helpful to look again at the items that are in the Governor's capital budget—and the ones that are not. The Governor's capital budget contains a host of air conditioning projects, repaving the parking lot at the State House, and $4 million for a legislative office building [CB162ff]. These are classic capital projects. But dollars for public housing are in the general budget ($5 million of Housing Resource Commission money [CB36 and B450]) even though much of this will be long-term investments in housing.

Tangible assets are not the only things worth investing in. My first big debts were student loans, an investment I've never regretted. More generally, education is an expense that can legitimately be considered investment. That's why student loans make economic sense for many people. Further, since an educated person is more likely to remain off welfare, education is an investment that will pay off to the state over many years. Looked at in this fashion, there is no reason that Capital Plan money couldn't be used for tuition subsidies, for example. There is a better argument for considering these kinds of things capital expenses than there is for extending that consideration to road maintenance expenses, which is what we currently do. Over less than twenty years, the difference between the net present value to the state of a person who earns an income and one who doesn't is easily enough to cover two years' tuition at CCRI, for example. Considered over only twenty years, the state could spend almost three thousand dollars a year for four years on educating welfare recipients and still come out ahead.

*Education is also an investment, and one with proven returns. Put that in the capital budget.*

In a similar vein, some development projects, such as the Slater Centers [B444], could be considered investment, albeit considerably riskier ones than education. But moving the Slater Center money to the Capital Plan fund, allowing it to displace the legislative office building, for example, would free up several million dollars of general revenue for other things.

**Transportation** Any discussion of RI capital spending must include a few words about the Department of Transportation.

"Squander" is the only truly accurate word for the standard operating procedure at DOT. And the sums in question are huge. DOT is planning to borrow at least $30 million *every year* for the foreseeable future. If we could avoid borrowing this money, it would save us almost $3 million in FY04 alone in debt service.

There are two chief reasons for a government like the state to borrow funds. One is to amortize the costs of some unusual expense, and the other is to make an investment that will provide dividends in terms of taxes collected or increased money supply. For DOT, neither of these is the case. For one thing, the borrowing contemplated is $30 million every year. That is, there is nothing unusual about these expenses; the costs are *already* amortized—at $30 million a year. And unlike investments in education, which are likely to pay returns in income taxes or in income supports not needed, DOT spending is not the kind that will directly generate much economic activity, except by paying the contractors who build the roads. This may be a good thing, but let's not pretend it's an investment. It's an income support, just like welfare payments, except that a lot of it gets skimmed off the top as profits to construction company owners. We don't borrow for welfare; we shouldn't borrow for DOT.

*A $440 million project originally conceived in order to avoid bridge repairs of $50 million.*

Just looking at one project, we will spend between $30 and $50 million in borrowed state funds to move I-195 a few hundred yards to the south over the next ten years. The ultimate cost to the state of these funds will be somewhere between $90 and $150 million. Since, after all, there already is a highway and bridge that serve exactly the traffic to be served by this project it's hard to know how to count the benefit to the state. This project will improve the livability of parts of Fox Point in Providence, and will free up substantial land for development along the edge of downtown Providence, but is that worth the price paid? This $440 million project (the currently estimated total sum, including borrowed state funds and federal funds [CB98]) was originally devised in order to avoid $50 million in bridge repairs.

In addition to moving I-195, we are also spending millions to build a highway to Quonset in service of we're not sure what. This, along with the I-195 reconstruction, will cost $41 million in FY04. The way federal matching rules work, these probably represent $4-5 million in borrowing. This is about $450,000 in FY04 debt service costs this year, $.9 million the next year, $1.4 million the year after, and so on until the borrowing for these projects peters out in the year 2013 or so.

DOT debt has been declining recently to some extent. Some bond issues have been retired, most notably by the huge defeasement of bonds from the tobacco-securitization business in FY03. But the fact that a budget line is currently declining doesn't mean that it's on its way to zero, and this one is not. No matter what the rate of defeasement, you can't borrow the same amount every year without increasing pressure on your budget. Any credit counselor will tell you this is a common strategy, but one that regularly lands people in bankruptcy court.

Given this, the idea that DOT is considering borrowing against federal money it hasn't received yet seems to border on lunacy (See references to the GARVEE program, [CB99]). Aren't we already making enough trouble for future administrations? DOT is in this mess now because past governors haven't had the temerity to admit that their revenues didn't match their expenses. When is enough enough?

## Taxes

Despite the anti-tax talk, the Governor's budget increases taxes. Given the situation, this is unavoidable. What is avoidable is pretending otherwise. The Governor is rhetorically fortunate that the cigarette tax increase was already scheduled before he came into office and that the property tax increases will be blamed on the towns that levy them. His protests that some towns are considering irresponsible wage increases ring hollow; his budget contains only punishment for the responsible ones, too.

This budget forces municipalities to be the heavies, raising property taxes to keep essential services operating, to keep schools open, police their streets, and put out their fires. The Governor's budget provides an increase of only 1.4% to the cities and towns in the kinds of aid that go to a town's bottom line [B407, B425 subtotal]. Few towns will be able to provide for town employee contract increases, rising fuel prices and health care costs, and pension obligations from that amount, and most will have to seek property tax increases from their residents. Note, too, that 1.4% is an aggregate increase of aid to all cities and towns. Many municipalities—Coventry, Pawtucket, Warren, and several others—will see only negligible increases (very small fractions of a percent, in these cases).[4]

Sin taxes are popular, but it is good to remember that the cigarette tax is a regressive one. A poor smoker pays the same tax as a well-off smoker. Regressive tax increases are apparently popular in bad times. The 2¢ gas tax increase last year was also a regressive tax.

*What happens to the Department of Health if a fire wipes out Newport Jai-Alai?*

The Governor proposes a massive increase in the take on the video slots at Lincoln Park and Newport Jai-Alai. The renegotiation on the video slots take is a good idea, but the increase will have the effect of further making the state's finances beholden to a very small number of businesses. Though the risk of this dependency may be small, the potential for disruption will be quite large. The popularity of gambling is no reason for complacency. Bankruptcy has overtaken many firms with large revenues. What guarantees do we have that Lincoln Park or Newport Grand are prudently managed businesses? What happens to the Department of Health if a fire wipes one of them out? It would be better to allocate some of this new money to a purpose like defeasing bonds, where the sudden loss of the revenue would not be catastrophic.

[4] In addition, towns with state beaches will see the loss of $512,000 in revenue shared by the state with those towns [ES98].

**Revenue** The state could easily find the revenue it needs, by admitting two facts. One: state spending is not out of control. (It's worth considering that people who constantly harp about that may be part of the mechanism that keeps it under control. We can thank them for the service, but they're still wrong. See the figure on page one.) Two: there are fair ways to raise taxes in the state without harming the economy, or imposing an unbearable burden on our citizens.

A ten percent increase in the state income tax would raise over $85 million and would bring us back to the bad old days of—1996. Half of all taxpayers would see an increase of less than $60 per year, and most of those would see significantly less. For 65%, the increase would be less than $100, and for 83%, the increase would be less than $200 per year.[5]

There are a host of other sensible tax increases possible, ranging from closing some of the more egregious corporate income tax loopholes (many other state have done so), to broadening the sales tax to cover things like country club memberships and expensive suits. Many of these are outlined in another report from the Poverty Institute, "Some Options for Increasing Revenue."[6] One loophole not mentioned in that report is the mortgage interest tax deduction. Ending this deduction on state income taxes would increase the progressivity of that tax, and would raise around $4.2 million.

**Tax Projections** While the revenues in the Governor's budget *seem* to cover the anticipated expenses, this is not the case. But the current predictions are that FY03 will end up in June with a small surplus of $14.5 million [ES116], which will be applied to FY04. The Governor's budget will use up that surplus next year, and end the year with around $300,000 remaining.

The budget projections presented for FY05 and beyond depend on income tax collections rising much more quickly than personal income [see ES118 and ES121]. Personal income is a messy category, with several components, not all of them taxable. Changes in the distribution of income can affect income tax collections, even if the total income remains unchanged. Still, the discrepancy between the predicted growth of income and the growth of income taxes seems like convenient optimism. Presumably this is part of the reason the FY05 deficit is now predicted to be only $24 million [ES116] as opposed to the $215 million predicted just last year [ES116/FY03]. Even with this optimism, the years FY05 and FY06 are both scheduled to end in deficit.

*The plane's engines are sputtering; but we'll save the passengers by lowering the price of the drinks!*

**Property Taxes** Rhode Island relies more than it should on property taxes. The ills of property taxes are well catalogued: they are regressive, in that the lower your income, the higher a proportion of it you pay; our towns' reliance on them produces both wide disparities in education equity and poor land-use decisions; and the existence of large non-profit landowners (like the universities in Providence, or the state itself) means that some municipalities are denied revenue they need to service the populations attracted by those institutions. And at least as important as all these, the property tax is the most onerous of all business taxes. It is by far the most often cited by businesses as a burden. A moment's thought will explain why. After all, income taxes can't put a business out of business. If there is no income, there is no income tax. But the property tax bills come in the mail no matter what the business conditions.

*The property tax is a state tax, governed by state laws.*

To any business in Rhode Island, especially one with substantial investment in equipment, property taxes are what's important. All the attention spent at the state house on details like fiddling with the formula for the business income tax [ES29], is attention taken from addressing the far more important problem. The plane's engines are sputtering; but we'll save the passengers by lowering the price of the drinks!

The property tax *is* a state tax, even if it's administered by the towns. Cities and towns levy taxes on their residents with the permission of the state. State law tells cities and towns how to levy the tax, how often to assess properties, and (for some towns) how much it can be raised. Treating property taxes as a separate system from state taxes is dumb and it leads to bizarre policy (not to mention highly misleading rhetoric). There is no way to deal with the problem of the property tax than to re-assess the political relationship between the state and the municipalities. The fact that this relationship is a troubled one and that solving this problem will be difficult does not mean that the problem will go away when it's ignored.

We will address property taxes in more depth in a future issue. But in the meantime, it is worth noting that there is a way to undo some of the regressivity of the tax by allowing towns to reform the way property is valued. Towns should have the option to establish official valuations based upon a property's sales price rather than the arbitrary judgment of appraisers. A transition to such a system could be done in a revenue-neutral way, and would provide improvements to the equity of the system

[5] Source: IRS Statistics of Income reports. See 00in40ri.xls. From www.irs.gov/taxstate/article/0,,id=103106,00.html

[6] See www.povertyinstitute.org.

since, in a rapidly rising market, the sales price is a better indicator of a person's ability to pay than the assessed value.

## Presentation

The budget documents promise much information by their sheer bulk, but they deliver much less than that promise. One can complain about any budget that it is only a picture of what money is to be spent, and not a description of what is to be done with that money. But the Rhode Island budget is not even an adequate picture of what is to be spent. Despite the awards they garner for presentation [B487], there is much to be desired.

- Reconciling different budget pages that are supposed to agree is challenging. For example, the executive summary boasts of an $800,000 "Customer Service Initiative" for the Registry of Motor Vehicles [ES49], but there is no trace of it on the Registry budget page, where the total budget appears to decline [B81]. Department summary pages often don't match Division summaries. See, for example, the Lottery Commission and its contribution to the general revenue. [B24 and B257]

- Important details about specific taxes are absent, like how much is collected. For example, there is no place in the budget documents where one can find a number representing the total the state collects from the gas tax, the rental vehicle surcharge, motor vehicle registration fees, or many other important taxes and fees. A list of the taxes that make up each budget line would be a welcome addition. A model for this is in the expense category definitions [B477].

- Departmental receipts are not well identified. It's generally very challenging to figure out where a department's money comes from. For some departments, this can be a huge burden. The Health Department, for example, has a huge schedule of testing fees. But the correct approach isn't to lump them all under "Other," either. There is a middle ground.

- While many of the cited performance measures seem appropriate, some choices seem odd. (See, for example, the Corrections Department measures of attempted escapes [TS337] or the unemployment rates for URI graduates. [TS326]) More to the point, several departments only cite one or two measures. When so few are cited, the temptation to elevate those at the expense of others is to be expected, and feared. Some departments, like Education, seem to understand this, and provide a broad range of measures. Others, like the Sheriffs (who report attempted suicides by their prisoners), do not.

- Debt service is not allocated to departments any more. Until recently, debt service for debt whose proceeds paid for some department's project was allocated to that department. One could see more clearly the effects of investment decisions within any particular department. Now, however, debt service is lumped in an aggregate [B90], making it impossible to see whether, for example, DOT debt service is growing or declining. (RIPTA, on the other hand, has to account for its debt internally, affecting its bottom line [B463]. The result is that it seems obvious that public transit is a money-losing proposition, but DOT's fiscal misfeasance is hidden.)

- The presentation of the budgets of the quasi-public agencies is very inconsistent, and not at all revealing. Few of these pages provide any clues to how many people work at any agency, for example. Identification of the source of their funding is rarely adequate, when it is done at all.

- The budget is filled with notations that provoke more questions than they answer. For example, the line item that reads "Worker's Compensation (assault)" on [PI-8], or line item in the EDC budget [B442] that names the Rhode Island Partnership for Science and Technology—a defunct agency with zero budgeted dollars—as a source for $325,000. (See page 4 of this report.)