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### **Alves' fiscal proposals criticized**

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By Steve Peoples

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PROVIDENCE — The chairman of the Senate Finance Committee, which generally plays a limited role in the state budget debate, is pushing two fiscal proposals that have drawn sharp criticism from the business and organized labor communities.

As his counterparts in the House struggle to close massive budget deficits at the state level, Sen. Stephen D. Alves, D-West Warwick, is drafting legislation to force cities and towns to adopt sweeping pension changes that would establish minimum retirement ages, limit annual increases and reduce disability pensions for thousands of local firefighters, police officers and municipal workers.

“There needs to be some fundamental changes to the municipal pension systems, otherwise they’re going to implode,” Alves said.

At the same time, he plans to introduce a separate bill that would raise the minimum corporate tax from \$500 to \$5,000 on a tiered basis. Only companies that gross more than \$10 million annually would have to pay \$5,000.

“These are some large companies,” Alves said. “I don’t think \$5,000 is that onerous.”

An analysis by the Senate fiscal office suggests that the tax increase would apply to less than a quarter of corporate filers who pay the minimum and could generate \$10.1 million, which would be distributed to cities and towns.

Each proposal drew swift criticism yesterday from different groups.

“On the business tax competitiveness front, Rhode Island ranks 50 out of 50 states — dead last for two years in a row,” said Laurie White, president of the Greater Providence Chamber of Commerce, citing data from the Tax Foundation’s 2007 Business Tax Climate Index. “This proposal does not move the needle in the right direction.”

And AFL-CIO Secretary-Treasurer George Nee blasted the pension proposal as “offensive” and “an unnecessary reach.”

“I think that it would have been much more helpful and respectful if there had been a dialogue and a discussion with the parties that are affected by this before a proposal was

just thrown out,” he said. “These are obvious serious issues; they affect the taxpayers, but they also affect peoples’ retirements and economic future.”

Alves’ pension proposal would essentially limit retirement benefits for municipal employees with less than 10 years of service to guidelines that already apply to more than 14,000 retired and active municipal employees whose cities and towns voluntarily joined the state-run Municipal Employees’ Retirement System of Rhode Island.

The benefits for those in state-run retirement systems — which include teachers and state employees — are set by law, while 25 municipalities negotiate retirement benefits with at least one local labor union as part of the collective bargaining process.

“This is very offensive to take an issue that has historically been done through collective bargaining, with no notice, and just to say we’re going to move this out of collective bargaining and into statute,” Nee said.

State Auditor General Ernest A. Almonte released a report last summer revealing that 21 of 37 municipal-run pensions are at risk because they do not have enough money to begin with, because the city or town is not putting enough in each year, or both. Local contributions to teachers’ pensions and those employees in MERS, meanwhile, are set by law and therefore on track, according to Almonte’s analysis.

While Alves would not release a draft of the bill yesterday, he provided a written summary of proposed changes for municipal employees with less than 10 years in the system:

- Police and firefighters must be 55 years old with at least 25 years of service to qualify for a full pension.
- Non-public safety employees must be at least 59 years old with 29 years of service or 65 with 10 years of service to qualify for a full pension.
- Annual pension increases would be capped at a simple 3 percent each year.
- Retiree health-care benefits would begin only at age 55, while coverage would expire when the retiree becomes eligible for Medicare.

Nee generally declined to comment on the specifics, saying that local unions should have the right to negotiate the terms. But he took exception to the minimum retirement age for firefighters: “Do you want 55-and 60-year-old people running up ladders if it’s your relative they’re trying to save? Probably not.”

Meanwhile, Alves defended his corporate tax proposal with data compiled by the Senate fiscal office: About 358 Rhode Island companies took in more than \$10 million last year and paid the state’s minimum corporate tax of \$500.

Municipalities favor any plan that would provide financial relief, including the pension changes, according to Dan Beardsley, head of the Rhode Island League of Cities and Towns. Governor Carcieri has proposed a 2008-09 state budget that cuts non-education aid by at least \$24 million and freezes education aid at current levels.

“Personally, I’m ecstatic that someone’s finally listening to local governments,” Beardsley said. “It makes sense that the cities and towns will embrace the changes.”

Alves has assembled a working group to shape the pension legislation that includes members of the auditor general’s office, the City of Providence and the governor’s budget office. Labor unions and the House of Representatives are not part of the group.

Successful passage of Alves’ proposals depends on the cooperation of the House.

“I’m not saying the House is on board,” Alves said. “I’ve had conversations with the House.”

House leaders “are looking forward to seeing the proposal and discussing it further,” according to House spokesman Larry Berman.

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