

**NEW ENGLAND STATE REPORTS**  
**POLITICS IN RHODE ISLAND: BACK TO THE FUTURE - 2**

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As one of the most Democratic states in the Union, recent state elections in Rhode Island suggested some unraveling of the state Democratic coalition. Federal elections continued to produce steady Democratic successes for the congressional delegation and outsized victories for President Obama in both 2008 and 2012.<sup>1</sup> Off year statewide elections in 2010 however, produced some striking partisan anomalies and new political players that provided a backdrop for the tumultuous politics of the past few years and interesting set ups for the upcoming 2014 statewide elections.

The winner of the 2010 gubernatorial race was former Republican Lincoln Chafee, who ran as an Independent and won with just 36.1 percent of the vote while the Republican candidate garnered 33.6 percent of the vote. The stunner was the Democratic candidate, Frank Caprio, an established political figure and sitting General Treasurer who received only 23 percent of the vote. In addition, the head of a newly formed and certified Moderate party, Ken Block, managed to take 6.5 percent of the vote. After he assumed office, Chafee then became a Democrat. Notable newcomers in the 2010 election cycle were Democrat Gina Raimondo, a young and accomplished venture capitalist, who was elected General Treasurer and Democrat Angel Taveras, a Latino with a Head Start to Harvard story who was elected as the first Latino mayor of Providence. They are both running for governor in 2014.

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<sup>1</sup> In 2008 and 2012, Rhode Island gave Obama 63 % of the vote. Office of the Secretary of State

## **Politics and Policy**

Chafee’s administration faced some daunting economic and political realities. For one, the state was in serious economic straits and as the rest of the country and New England crept out the Great Recession, Rhode Island remained in the economic doldrums, continuing to register a weak business environment with the highest unemployment rates in the country. Another critical aspect of this grim picture was the realization that the unfunded liability of the state and municipal pension systems had reached crisis proportions. Some municipal systems – including the capitol city of Providence - were teetering on bankruptcy, and the state system’s costs that included most teachers and many municipalities, were clearly unsustainable. Added to this mix were the progressive expectations of strong liberal constituencies who expected continued support for relatively generous social programs and the influence of the public sector unions that resisted pension reform and were able to successfully pick off selective legislators who indicated support for reforms. The business community, given the grim economic picture, leaned in demanding tax concessions and regulatory reforms to “jump start” the economy and promote a “business friendly environment.” These dissonant factors shaped post-election politics.

Shortly after she took office in 2011, the newly elected General Treasurer Raimondo, who had a background as a venture capitalist, took on the pension problem and began to campaign for extensive reform. She noted that the state system “has been recognized <sup>2</sup>as one of the worst funded and most expensive retirement systems in the country.” In a comprehensive report, entitled “Truth in Numbers,” she laid out the prospect that for state workers, municipal workers and teachers in the state system, the pension funds could run out of assets sometime

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<sup>2</sup>Gina Raimondo. *Truth in Numbers: The Security and Sustainability of Rhode Island’s Retirement System*. (2011). Office of the General Treasurer: Rhode Island

between 2019 and 2023.<sup>3</sup> At that point, the report indicated that projected taxpayer contributions to the system would exceed 1 billion dollars by FY 2022. (This in a state where the total state and federal annual budget runs about 81/2 billion dollars.) This report essentially focused on the state workers, public school teachers who were part of the state system and selected municipalities that were part of the Municipal Employees Retirement System (MERS). Indications and discussion about the extent of the unfunded liability had been noted frequently over the past decade, but the solution that unions supported, and was generally expected to be implemented, was a mix of new taxes, some worker concessions and a long term amortization of the debt.

Several key factors changed the picture. First, in the post-recession period, the state's economy remained in desperate shape. The state continues to have the highest unemployment rate in the country (in sharp contrast to the other New England states) and an expanding budget gap.<sup>4</sup> The existing social service system was under great stress, and the prospects for offering relief to business by way of lowering taxes and rebuilding a crumbling infrastructure seemed out of reach. During this period, Raimondo indicated that if pension reforms were not implemented soon –particularly in some local municipalities outside the state system that were running out of money–“...meone is not going to get their check.”

Shortly thereafter, one such municipality, the city of Central Falls, one of the poorest towns in the state with a large immigrant population, was put first into receivership and then bankruptcy. After a contentious period whereby the state stripped elected officials of their duties, an appointed receiver ultimately revamped the entire pensions system significantly cutting

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<sup>3</sup> Ibid.

<sup>4</sup><http://www.providencejournal.com/breaking-news/content/20140418-r.i.-unemployment-remains-nations-highest-despite-improvement-in-jobs-numbers.ece>

existing and future pensions and COLAs, and restructured municipal government putting the city on firmer footing.

Although this municipality was not part of the state system, these events, and prospects of future bankruptcies, stunned political elites and changed the dynamic whereby legislative leaders, the governor and the general treasurer proposed a sweeping reform package. In an unusual move, the legislature, after a recess in June when it passed the budget, reconvened in a special session in October of 2011 solely on the pension reform. They then passed a sweeping reform law that revamped retirement packages for current employees that included raising retirement ages and recalibrating fixed pension benefit packages. The law also suspended COLA's, for retirees until the unfunded liabilities were substantially lowered. These reforms were in addition to earlier less sweeping changes to the state system that had been passed by the legislature in 2009 and 2010.

The unions sued, claiming the state, with these legislative changes, had broken a valid implied contract. The judge ordered the parties into mediation but, after a 15 month bargaining process, the resulting compromise package was ultimately rejected by the union membership in March of 2014. The case is now slated to go to trial in September after the statewide primaries. Rancor is high on all sides: the union membership feels betrayed; local municipalities and taxpayer groups are outraged at the idea of rescinding the changes and paying higher taxes; and legislators, who are up for reelection, are lying low. This trial is likely to set a subtext for the upcoming primaries and general election, particularly for the General Treasurer Gina Raimondo, who is a strong contender for governor. The case is slated to receive national attention as a possible model for other states that are also grappling with unfunded pension liabilities.

### **Other Landmark Issues**

Key legislative initiatives in Rhode Island during this period included legalization of gay marriage at the beginning of the 2012 session. While the other New England states had moved along on this issue, Rhode Island could not get beyond civil unions. Factors impeding this change in the past included strong and vocal opposition from the Catholic diocese in a state with a large Catholic population, a cadre of conservative Democrat legislators who opposed it<sup>5</sup> and a former Republican governor who was against gay marriage and threatened to veto the bill. The situation was particularly noteworthy in that the Speaker of the House, an extremely powerful position in the state, was openly gay and supported the legislation. After Chafee – a strong supporter of gay marriage - was elected governor, it passed early in the 2012 session.

Another legislative landmark was a Voter ID law which passed in 2011. This was a curious anomaly in that as a liberal, deep blue state, it was an outlier as the only Democrat controlled state to do so. In fact, it is a fairly progressive law that was praised by the liberal Brennan Center as being a model for such changes.<sup>6</sup> The law was rolled out first in 2012, with open provisions for all types of identification and a two year effort by the Secretary of State to issue free picture IDs and provide extensive ballot options for voters. One strong underlying dynamic for this change was tension between the black and Latino communities in that the Latino population in the state, particularly a large contingent of Dominicans, are extremely active and aggressive about participating in politics and have been remarkably successful electorally in a short period of time. This caused some resentment and concern among black legislators and leaders who felt that perhaps some of these efforts were not all above board. The

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<sup>5</sup> Interestingly, Republican legislators early on offered strong support for this measure.

<sup>6</sup> Weiser, W. R., & Norden, L. (2011). *Voting Law Changes in 2012*. New York: Brennan Center for Justice.

full implementation of the law will take place in the 2014 election and although both of the Democrat candidates for Secretary of State are campaigning in the primary on repealing the law, the majority of voters support it and repeal is unlikely.

Beyond the strain of persistent economic difficulties and the uncertainty of the pension case outcome, the unexpected resignation of the current House Speaker Gordon Fox in late March, has added to the political turmoil. After FBI and IRS agents and the state police raided his statehouse office, his home and his law office, he immediately stepped down as speaker. The general thrust of the searches suggest financial questions about his taxes, use of campaign funds and some legal work he did on federal grant programs. Fox has paid a few fines levied by the Ethics Commission related to these types of issues but the warrants are still sealed and gossip and speculation abounds. The result was a mid-session scramble for new leadership, and turnover on most legislative committees. The ensuing machinations exposed fractured coalitions but ultimately resulted in the election of a more conservative speaker who was able to pull together a workable team. Business interests carried the day with cuts in the corporate tax and the lowering of the estate tax burden, while trying to grapple with a widening budget deficit. Many initiatives, particularly reform proposals, got the short shrift as most legislators opted to pass the budget and bolt for their districts to prepare for the November elections.

### **Gubernatorial Power and Constitutional Reform**

The current disruptions have underscored the weak political position of the Governor. Except for his support for the original pension reform legislation and the gay marriage initiative, Chafee appears to be barely relevant. Once he submits the budget, the governor plays no role in that process except to veto the entire package and has little political influence in terms of most

legislation. Moreover, the present governor, Lincoln Chafee, is particularly disadvantaged. Given his recent conversions from Republican to Independent and then to Democrat, he lacks strong party ties in the state. In addition, his style is tentative and halting – thus the asset of the bully pulpit does not give him much political leverage. During the recent House shake-up, Chafee spent a great deal of time out of state on speaking tours. No one seemed to notice.

His personal limitations notwithstanding, the key issues are related to the governor's weak constitutional position. On most state rankings Rhode Island comes up either last or near the bottom - close to Vermont - on the power of the governor's office. He has limited appointment power, lacks a line item veto and the constitutional override provision is at 3/5ths instead of 2/3rds – making legislative overrides, especially in a one-party legislature, relatively easy. Reformers are pushing for constitutional ballot initiatives to strengthen the office and make other structural changes, but in the current climate of uncertainty, most reforms appear unlikely.

Reform groups do hold some leverage however, in that the constitution mandates that a question asking voters if they want to hold a constitutional convention must be placed on the ballot in 2014. Most political and reform groups are leery of a constitutional convention, acknowledging that these events can become unwieldy and problematic. Reformers held out this card in an attempt to persuade the legislative leadership that specific ballot reforms, instead of a constitutional convention, are the lesser of two evils. Proposals promoted included linking the governor and lieutenant governor on the ballot, a line item veto for the governor, and a change in the veto override provision to from 3/5<sup>th</sup> to 2/3ds. They pushed for a constitutional question that would expand the Ethics Commission authority over the legislature. These efforts fell by the wayside in the end of session rush.

Another reform proposal, which is statutory in nature, eliminated the so called “master voting lever” – a somewhat anachronistic holdover from an earlier machine era, whereby voters can cast a straight party ticket vote with one stroke. There was strong support for this change from various reform and Republican constituencies, but the new legislative leadership, not keen on providing any advantage to the tiny GOP in the state, originally declared it an “ideological distraction” and tried to table it for the session. The House was cornered into passing the measure and in the Senate, after attempting a “good cop, bad cop” ploy to table the measure was forced to put it out on the floor for a vote and legislators had little choice but to pass the measure.

### **Border Issues**

The Great Recession, high unemployment and the budget shortfalls have sharpened economic competition with neighboring states particularly Massachusetts and Connecticut. One big issue is gambling. Rhode Island has enjoyed a revenue stream from gambling which amounts to the third largest source of revenue for the state<sup>7</sup>. While many Rhode Islanders travel to Connecticut to the more glitzy casinos in Foxwoods, substantial numbers of local residents and many from Massachusetts patronize two smaller casinos venues in Rhode Island. With Massachusetts developing proposals for their own casinos, subject to voter approval in November 2014, the projected loss of revenue poses a real threat to an important economic resource and lawmakers are struggling with new options to protect this critical revenue stream.

One likely solution, as the pressure mounts to deal with the pending shortfall, may be the legalization of retail sales of small amount of marijuana. Governor Lincoln Chafee, traveling recently in the West, raised the possibility that this might be a policy possibility. The progressive wing of the legislature, following up on legislation that decriminalized possession and approved

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<sup>7</sup> Of projected general revenues for 2014, gambling revenue is expected to be 400 million dollars, which is 12 % of general revenues. State of Rhode Island and the Providence Plantations: *Executive Summary of the 2014 Budget*.



medical marijuana, has introduced such legislation. Most observers expect that they are setting the agenda for future sessions when the results of these initiatives in Colorado and Washington become known. Interestingly, polls indicate that presently just about half of the state's population supports legalization.<sup>8</sup>

Another border issue, is the perception that the state has one of the highest sales tax in the region. The state does have a rate of 7 percent but it is narrowly drawn - exempting a range of goods and services, so that the *tax burden* ranking is, in fact, in the middle range of states. Nonetheless, policymakers are struggling with attempts to recalibrate the tax – lowering the rate but expanding the base to keep it the rates in line with Massachusetts and Connecticut. This has been tough going in that the strong resistance to these changes illustrates the power of various entrenched interest groups to stymie these efforts. Several candidates are campaigning on revamping and lowering the sales tax structure, but in the short term, the legislature, in this election year, made only marginal changes in tax policy such as lowering the corporate tax rate and recalibrating the estate tax, to satisfy the demands of the business community.

### **The Upcoming Election of 2014: Back to the Future**

From a partisan perspective, the upcoming election is following more traditional patterns. At the federal level, races for the two House seats and one Senate contest appear to be locked up for Democrat incumbents. In statewide contests, in the race for Governor on the Democratic side, two young, bright, experienced candidates with impressive resumes and successful political accomplishments offer some interesting “firsts.” The current General Treasurer, Gina Raimondo, if elected, would be the first woman governor of the state. During her tenure as General Treasurer she successfully crafted and worked to pass the landmark pension reform package. This gained her statewide and national attention but also drew the wrath of a persistent cadre of

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<sup>8</sup> Taubman Center for Public Policy. *Poll: Taveras and Raimondo in a Statistical Tie*. (10 April 2014).

union workers, many of whom picket all her campaign events and will probably campaign hard against her. One opponent, the current mayor of Providence, Angel Taveras, if elected, would be the first Latino governor in the state and the region. Taveras is credited with dealing with a severe fiscal crisis in the city and making remarkable progress in negotiations with teachers and public service employees, staving off receivership and bankruptcy for the city of Providence. A third candidate, Clay Pell, another young contender with an impressive educational resume, at 32 lacks any political experience and is basically trading on the name of his grandfather, former United States Senator Claiborne Pell, a revered figure in the state. He was evidently recruited by the teachers' union leadership as a response to the gubernatorial candidacy of Gina Raimondo, who initiated pension reform. Thus far, he has not gained much traction; polls so far show Raimondo and Taveras in a tight race with Pell running a distant third.<sup>9</sup>

On the Republican side, there is also a more traditional contest. The sitting mayor Alan Fung, of Cranston - the second largest city in the state - will face off against the former leader of the Moderate party, Ken Block, who ran as a Moderate in 2010 and is now running as a Republican. Fung, if elected would be the first Asian American governor of the state. . The difficulty, of course, is the weak position of the GOP in the state.<sup>10</sup>

The other statewide races for Lt. Governor, General Treasurer, Secretary of State and Attorney General, which are term limited, appear to favor the Democrats. There are a few primary contests on the Democratic side and some vacancies on the Republican side. As to the legislative races, no one expects much change. Currently in the House and Senate, out of 113 seats there are only 11 members of the GOP in the entire General Assembly.

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<sup>9</sup> "Poll: Taveras and Raimondo in a statistical tie," Taubman Center for Public Policy. 10 April 2014

<sup>10</sup> As of May, 2013 the partisan distribution in the state is 290,397 registered Democrats (40.1%), 74,070 registered Republicans (10.25), 358,045 unaffiliated voters (49.5%) 1,394 registered Moderates (0.002%). Office of the Secretary of State.

One other “electoral” issue are the prospects of former Providence mayor, Vincent “Buddy” Cianci. He, the longest serving mayor in the history of the state and a twice convicted felon, was sentenced to federal prison for 64 months in 2002 on charges of racketeering conspiracy for running a criminal enterprise from City Hall. He was released from prison in 2007 and went on to become the most popular talk show host in the state and also does television commentary on state politics. In late June, at the age of 72, he filed his candidacy to run as an independent in the 2014 race for mayor of Providence. Noting that he has unfinished business to accomplish as mayor, he will run in a four way general election race against the Democrat and Republican candidate and one other independent. He is a savvy campaigner, used his radio platform to cultivate key constituencies, and seems to be generating not only outrage from some groups but also considerable voter support.<sup>11</sup> Most observers agree he has a real shot at winning.

Only in Rhode Island.

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<sup>11</sup> Ziner, K. L. (2014, June 27). Cianci: Run for mayor is about more than his legacy. *The Providence Journal*, sec. A, p. 1. Retrieved from <http://www.providencejournal.com/politics/content/20140626-cianci-says-hes-running-not-to-repair-his-legacy-but-to-make-a-difference.ece>