



March 15, 2015

Dear Fellow East Siders:

This week's letter discusses the Governor's budget and the Pawtucket Red Sox stadium proposal.

The Governor presented her budget in an address Thursday night, providing a [package of online documents](#) with which to review it. Regarding education, the budget proposes an addition of \$6.8 million in funding formula aid to Providence, but it is not clear how much of that aid will actually reach the Providence Public Schools. More specifically, the formula's "money follows the child" feature will reduce the amount the School Department receives. Charter schools that include Providence children will receive a payment equal to more than \$13,000 per child, consisting of \$8,000-plus of State aid and around \$5,000 of local funds. As a result, every 100 students has a budgetary impact of \$1.3 million or more, and this amount exceeds the savings the School Department realizes from educating 100 fewer children. These impacts of the funding formula are a statewide concern, recently discussed [in a recent Providence Journal op-ed](#) and which is currently under review by [a General Assembly commission](#). The budget also allocates \$22 million to school construction projects and creates a new office to review projects based the current program in Massachusetts. While the backlog in Providence alone probably exceeds \$500 million, the budget presents a departure from the funding moratorium which has, since 2008, postponed major school renovation and repair projects.

Turning to municipal finances, the new State budget replaces regular sources of State aid to Providence with the opportunity to participate in targeted incentives. The budget reduces the City's baseline aid by \$2 million, primarily from a 10% reduction of the PILOT program to reimburse the City for tax-exempt properties. The City is eligible to receive State aid for reimbursement for 10% of the lost revenue from new tax stabilization agreements, which may allow the City to recoup a portion of the \$2 million loss. Also, the budget proposes a \$25 million fund dedicated to the I-195 land, which on first impression appears to be designed to attract a major new presence, such as Stanford University's proposal to build a satellite engineering campus on Roosevelt Island in New York. From a City perspective, I am concerned about the City's interest in property tax revenue from the new development. We all recall the example of Providence Place Mall, a valuable development that increases State-level sales tax and income tax revenues, but remains subject to a 30-year restriction on significant City-level property tax revenues which has been estimated to cost the City \$136 million.

On last Tuesday morning, James Skeffington, the President of the Pawtucket Red Sox made a presentation to the Providence Foundation (a business association). He stated that the team is preparing an economic impact analysis and traffic study that should be ready by the middle of April. Interestingly enough, the Governor's budget specifically restricts the \$25 million I-195 development fund from being used to support a baseball stadium, the only such limitation on the fund's use. While we need to wait to review the team's economic impact analysis, the general message from the team to date has highlighted the advantages of a downtown location, of which the I-195 land represents one of several possible alternatives. In the meantime, others have suggested alternative Providence locations with convenient access to the downtown. I am hopeful the City and State will have a dialogue with the Pawtucket Red Sox that will include a full review of alternative locations for the stadium and alternative uses of the I-195 land.

Sincerely,