

Making the Grade column, East Side Monthly, October, 2006 © East Side Monthly, Sam Zurier

In two columns this summer, I discussed the City's unpaid obligations to retired City employees, suggesting that the issue is connected to the need for stronger public education on the East Side. This month, I will explain the importance of that connection.

A few months ago, a special City study commission announced that our City's pension deficit is \$610 million, and proposed funding it through a 25 year bond that will cost approximately \$1.2 billion to retire over that period. The City's complete unfunded obligation to its retired workers is probably closer to \$2 billion, after accounting for the cost of unfunded health benefits. While this is sobering news, it can provide the basis for a renewed partnership, or social contract between our neighborhood and the rest of the City.

It should be clear that the Greater East Side is going to be an important part of the solution of the pension deficit problem. According to data assembled by the Providence Plan, the portion of the City east of North Main Street (including the Mount Hope, Fox Point, Summit, Wayland and Blackstone neighborhoods), which houses 35,000 people or 20% of the City's population, comprises approximately one third of the City's tax base. In a typical tax year for the City of Providence, the Greater East Side contributes around \$90 million of the total of \$270 million collected, a figure that is \$35 million greater than what the neighborhood's share of the City's population would indicate.

With this information in mind, let's do the math. The pension deficit is \$610 million, or more than 2 years' worth of tax collections at current rates. The Pension Commission's solution calls for a payment of \$1.2 billion over the next 25 years, representing more than 4 years' worth of tax collections at current rates. A solution that includes the issue of retiree health benefits could almost double this cost; therefore, the solution to the entire problem could equal 7 years'

worth of current tax collections (or more) spread over the next 25 years. Of this total, the Greater East Side would contribute around \$600 million, a figure that exceeds its population's share of the total by approximately \$240 million.

While these tax obligations are significant, most of the East Siders I know accept the concept that a tax based on property values supports the equitable policy of apportioning the burdens of government among those best able to pay for them. That is part of the social contract under which we all live together here in Providence. With that said, the Greater East Side suffers from a fundamental disconnect between the clear obligation to pay taxes to the City and the lack of City services received in return, especially public education. More specifically, only a minority of our neighborhood's children attend the public schools, and our neighborhood has lost more than 1,000 children in the past 35 years in large part due to the failure of some of the public schools on the Greater East Side.

Over the years, I have heard some of our City's elected officials and School Department staff suggest that the Greater East Side's retreat from public education is a fact of life about which nothing can or should be done. From this point of view, there is nothing to be gained from an extraordinary campaign to revive public education in our neighborhood; instead, there may be a loss associated with diverting scarce resources from other neighborhoods with more immediate needs. With all due respect, this point of view is as short-sighted as a hypothetical East Sider who refused to pay his or her fair share of taxes for the good of the City as a whole.

At first blush, it is tempting to say that the City's need for funds to pay for the pension deficit will make it more difficult to commit new resources to expand and improve the public schools in our neighborhood. But by looking more closely at how important the East Side will be in solving the pension deficit problem, a wiser approach is called for. The City must realize

that its ability to gain the East Side's acceptance of this significant additional financial obligation depends critically upon the City's commitment to provide quality public education that ultimately gains widespread participation in this neighborhood. (I am not proposing a specific benchmark at this time, but 75% of the Greater East Side's children attended public school in 1970, and more than 85% of the children in Rhode Island and the United States use the public schools today.) For the social contract to work, it is necessary for both parties to fulfill its obligations.

I will conclude by describing another important link between our City's pension deficit and public education on the East Side. While commending our City officials for proposing, this summer, a comprehensive solution to the pension deficit problem, we also regret that it took this long to address it. Had the City committed to solving the pension deficit 10 years ago, or 5 years ago, or even 3 years ago, the cost of the solution would have been a fraction of what we are being asked to pay today. Instead, we spent those years like the Grasshopper of the children's fable, dancing closer to the financial brink instead of preparing for the future.

If the extra hundreds of millions of dollars that our delay has added to the cost of solving the City's longstanding pension crisis is a cautionary tale, then the crisis of public education on the East Side provides a golden opportunity to show that we can learn from our past. Some may be tempted to say that we just cannot afford to commit capital to rebuilding strong public schools in neighborhoods where children currently attend private school, especially when we must find hundreds of millions of dollars to pay our obligations to retired employees. What we have learned from history, however, is that we are far better off making that investment at today's prices, because the cost of inaction will ultimately be much greater.