



January 31, 2016

Dear Fellow East Siders:

I hope you were able to spend time outdoors this weekend. This week's letter will discuss the City's mid-year finances, the budgetary impact of charter schools, and enhancing the City's lobbyist registration program.

On January 25, the administration submitted a [Report](#) describing government's performance against budget through the end of the second quarter of the fiscal year (December 31, 2015). It includes several adjustments to the original budget, which when combined leave the budget more than \$200,000 ahead of its original "bottom line." The City Council's Internal Auditor will now review the report. The report provides a starting point for the City to respond to the State Auditor General's October 20 [Letter](#) requesting a deficit reduction plan for the current year and for the longer term. The administration prepared a draft plan which it will submit to the City Council this week. In his letter, the Auditor General asked the City Council to approve the plan. It is important for the City Council to carry out its responsibility carefully, especially after last year's experience in which the administration submitted reports to the State at the end of the second, third and fourth quarters indicating the budget was balanced, but in September, 2015 (two months after the close of the fiscal year), it reported that the previous year had closed with a \$5 million deficit at a point where it was impossible to cure the problem.

On January 26, the Education Committee met to discuss the financial interaction between charter schools and school districts. The "money follows the child" feature of the funding formula raises issues regarding how limited funds should be allocated among the schools. The Education Committee reviewed an [Analysis](#) of high school sports, estimating that support of charter school student-athletes costs the Providence Public Schools approximately \$800 per student-athlete. In the coming year, the School Department will discuss ways to resolve the matter with the charter schools. This issue fits within a broader framework in which the money the Providence Public Schools loses to charter schools (from lost State aid, federal aid and transfers of City money) exceeds the savings realized from educating fewer students. This year, the School Department's budget includes \$15.1 million in "tuition" payments to charter schools. In 2012, the Internal Auditor published a [Report](#) estimating that the School Department recovered (in "marginal cost" savings) less than half the money it lost to the charter schools. The Rhode Island House of Representatives studied this issue last year, and has passed legislation this year on this subject (which is now before the Rhode Island Senate). Also, the Governor's working group issued a report discussing this issue.

In 2013, Providence became the first Rhode Island city to adopt a lobbyist registration program, a major advance in open government. The Clerk's Office maintains a [Database](#) of 34 lobbyists and [quarterly reports](#) they submit. While an excellent first step, the current ordinance has gaps that prevent the City's program from applying to active lobbyists who would be required to register under the State's program. In 2014, I worked with Common Cause Rhode Island to develop a set of proposed amendments to align the two programs; however, it was criticized by grassroots organizations as being too burdensome. With that in mind, I prepared a [narrower version](#) that is limited to "financially active" lobbying organizations that make campaign contributions exceeding \$1,500 to City candidates during a 48-month period. The revisions also reduce the registration fee from its current level of \$25 to \$5 (which is what the State charges), and create a "safe harbor" for first-time violators to come into compliance without being charged a fine. The legislation will be introduced on the City Council's February 4 docket.

Sincerely,