

RI Citizen Alert

A report on the state of Rhode Island government

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see page 4

February/March 2004

Volume 12, Number 1

Is State House for sale?

From Governor to talk shows – ethics reform is on many minds



IRONS



CELONA



FOX

BY WILL BARBEAU

Rhode Island's ethics climate is the 'buzz' topic of the day. In boardrooms, locker rooms, kitchens and classrooms people are reacting to newspaper and television reports of Assembly members being exposed for their cozy financial relationships with local businesses. Drug giant CVS is mentioned in several ethics complaints, as was GTECH in the Fox complaint.

Citizens calling radio talk shows are angry at the possibility that higher drug costs and health insurance rates might be blamed

on these close business-legislator ties.

As this first edition of *RI Citizen Alert* goes to press, the growing list of alleged conflicts of interest includes:

Senator John Celona (D-No. Prov.), Chairman of the committee regulating health care and prescription drugs, failed to mention on his annual ethics disclosure form that he is on a monthly retainer from CVS as a "community outreach specialist." He didn't allow a Senate hearing for two bills passed in the House that would have given

see **State House, page 3**



Rep. Fox admits to ethics violations, fined \$10,000

During the one and a half hour closed door session of the Ethics Commission on January 20th, House Majority Leader Gordon Fox accepted a \$10,000 conflict-of-interest fine for participating in the House floor discussion and then voting on a \$770 million no-bid lottery deal for GTECH.

In response to reporters' questions, Fox claimed that he did not know that his law firm, Ferruci Russo PC, represented GTECH at the time that he voted. He also claimed that the two plus hours of billing by the firm for work by Fox before the vote "was an error."

The 15 page "informal resolution and

settlement" between the Ethics Commission and Rep. Fox stated that "he knew or should have known of his law firm's contract with GTECH." The resolution went on to say "the Respondent had an interest that was in substantial conflict with the proper discharge of his duties in the public interest."

OCG Chairman Robert Arruda told reporters that he was satisfied with the fine and that it "would resonate" throughout the state government to prevent future conflicts of interest.

However, chairman Arruda has called for Rep. Fox to step down from his majority leader position due to these findings.

Let no seat go unchallenged in 2004

Come to OCG's Candidates School on March 27

BY JANICE F. CARLSON

Be sure to save March 27, 2004 on your calendar to attend Operation Clean Government's (OCG) second biennial Candidates School at the Crowne Plaza in Warwick. (See ad on page 2 for details.) The great success of the first school, held in 2002, underscored the need for an ongoing comprehensive candidate's school in



MAYOR STEVE LAFFEY of Cranston attended the Candidates School in 2002 and called it a "must attend" event.

Rhode Island, where a majority of the seats for important offices go unchallenged. Don't miss this opportunity to increase your chances to run a successful campaign.

Consider these statistics: 80% of the Rhode Island Legislature comes from one political party, 80% are men and nearly 50% from only three occupations: lawyers, teachers, and union representatives. In addition, RI women have among the lowest levels of elected representation in state government in the United States. Unfortunately, women hold none of Rhode Island's statewide offices and historically, only five women have ever served at the statewide level. Operation Clean Government believes the best elections are those that give the voters real choices with an open, honest debate of important issues. For these reasons, OCG has designed the 2004 program to include specific segments geared towards women and minority candidates and at the same time has a segment geared to all potential candidates.

see **Candidates School, page 2**



HOUSE MAJORITY LEADER GORDON FOX is besieged by reporters as he emerges from a one and a half hour closed door session of the Ethics Commission.

Congratulations to Senator Paiva-Weed



PAIVA-WEED

Kudos to Teresa Paiva-Weed on her recent election to the position of Senate Majority Leader. This honor is well deserved by the Senator for her many years of honorable service in the Senate, including her four years as the first chairwoman of the Senate Judiciary Committee. Paiva Weed is noted for her accessibility and willingness to listen to citizens concerns and her helpfulness with legislative proposals. The fact that she is the first woman majority leader in the General Assembly also speaks to her ability and dedication to good government.

Racing against the clock for a Constitutional Convention

Every ten years the RI Constitution requires that voters be asked if they want a Constitutional Convention to review whether or not changing times require an update of the Constitution. This year, 2004, is one of those years.

Problem is, both the legislature and the governor blew the whole 1994 review process by not appointing a bi-partisan preparatory commission as required by the Constitution.

Citizens' constitutional rights were deprived and abridged in 1994 by then Governor Bruce Sundlun who waited until the day before elections to set up a "preparatory commission." Obviously, the commission did not meet, hold hearings, or produce a report. Members never knew they were appointed. So we're now 20 years into the present Constitution with many issues backed up.

Senator Marc A. Cote (D-Woonsocket)

sponsored a bill last year that would have set up an appropriate 14 member "preparatory commission" that would hold hearings around the state and submit their report by September 1, 2004. That process would lead to voters being asked the question in November 2004, "Shall there be a convention to amend or revise the Constitution?"

Unfortunately, Cote's bill in 2003, after passing in the Senate, died in the House Judiciary Committee. Senator Cote has introduced two bills for the 2004 session: S-2101 places the question on the ballot in November; and S-2102 sets up the Bipartisan Preparatory Commission. These bills need to be on a fast track, since there are very few months left to do the in-depth study of constitutional issues, hold forums around the state and produce an in-depth report by September 1. Call your legislators to get these bills passed quickly.

2004 – year of decision for RI

Voters must approve Separation of Powers Question #1 on November Ballot

What a great moment in Rhode Island history when the General Assembly passed the Separation of Powers (SOP) bill in 2003. It was an active citizenry under the leadership of a coalition of 34 community groups, including OCG, that convinced legislators to finally balance power in our state government. Rhode Island is the last state in our nation to achieve SOP.

But it is not a done deal until the voters approve Question #1 this fall and the new legislation to make the changes is implemented. Three OCG board members have been attending regular meetings of the SOP Task Force, set up by Common Cause, to draw up principles for restructuring state boards/commissions with executive functions. It has been a huge task. There are

approximately 71 such boards whose membership includes 156 seats currently held by legislators and 66 seats held by public members appointed by legislators. Senator J. Michael Lenihan, (D East Greenwich/North Kingstown) and Chairman of the Government Oversight Committee met with the coalition to discuss their proposed principles. Lenihan promised meetings early in January. Meetings started January 20, inviting public participation on the principles to be followed for restructuring boards and commissions.

RI Citizen Alert will keep you up to date on this issue as it develops. You can sign up for the OCG email alert list at www.ocgri.org for information on these hearings and other matters.



SENATOR J. MICHAEL LENIHAN addresses a meeting of Separation of Powers Coalition members about the principles needed for the restructuring of boards and commissions.

Candidates School, *continued from page 1*

The 2004 Candidates School is a non-partisan, all-inclusive effort to embrace every candidate by encouraging all Rhode Island citizens to participate in the elective process in order to bring diverse views to Rhode Island government. As part of this comprehensive process, the YWCA of Northern Rhode Island, one of the school's sponsors, offers an afternoon break-out session aimed specifically at women's candidacy.

Political campaigns are the cornerstone of our democracy and should engage those citizens who care about our future. The 2004 Candidates School's intensive program is designed for people who want to make a difference. The knowledge and information provided will empower any candidate for public office in Rhode Island. Don't be left behind.

candidates school 2004

date: Saturday March 27, 2004

place: Warwick, Rhode Island - Crowne Plaza Hotel

time: 8:30 a.m. - 5:00 p.m. Registration begins at 7:30 a.m.

tuition: \$75 per person includes continental breakfast and lunch

keynote speaker: Mike Vallente. Chief Operating Officer of the California Republican Party

registration form

name: _____

mailing address: _____

daytime tel: _____ **evening tel:** _____

fax: _____ **e-mail:** _____

Select the break-out session you wish to attend (select one):

- Discussion with Former Candidates
- Discussion on Women Candidates' Issues
- Discussion on Minority Candidates' Issues

Send completed form with \$75 payment to:

OCG, P.O. Box 8683, Warwick RI 02888

or register on-line at www.candidateschool.org

☞ Registration Deadline is March 24, 2004 ☜

“RI Citizen Alert” A voice for the people

BY SANDRA THOMPSON

Welcome to *RI Citizen Alert*, the newly named newspaper of Operation Clean Government (OCG). This publication is to alert you, the citizens, to what is going on in your government and to inform you about the actions you can take to work for honest, accountable and open government.

OCG is a non-partisan, non-profit, volunteer citizens group that formed 10 years ago and has worked diligently to bring clean government to Rhode Island. No easy task in a state where scandal and corruption rear their ugly heads on a regular basis.

Unfortunately, for the past sixty years, our state has been controlled by one party who represent the leadership in the General Assembly.

On top of this, our state Constitution gives great power to the legislature, elected by a handful of people, and little power to the governor who is elected by all the voters in the state. This is not balanced government. That is why it was important that the citizens of Rhode Island rally behind the Separation of Powers (SOP) bill that finally

passed in the last General Assembly session. OCG was an important part of the coalition of community organizations who worked tirelessly for this monumental legislation. It proved that the citizens of this state have the power to take back their government from the special interests who run Rhode Island for their benefit rather than for the best interests of the people.

Without checks and balances and without an active and informed citizenry, corruption and ethics violations in RI government will continue. And who pays for this corruption? The taxpayers, of course. We live in a highly taxed state where we, the people, have been poorly served.

It is time for the citizens to use their voices and their votes to change the way business is done in Rhode Island. Operation Clean Government invites you to join in our effort to take back our government for the people. There is a membership form on page 4. Membership guarantees you this newspaper FREE. OCG needs your support to get the job done so that we can take pride in our state.

CONTACT YOUR LEGISLATORS

For a listing of legislators, telephone numbers and addresses

go to the OCG website: www.ocgri.org

To find your legislator, click on RI Government, then on Secretary of State.

Does Rhode Island need an Inspector General?

BY BEVERLY CLAY

During the 2003 legislative session, both the Senate and the House approved the formation of a special legislative commission to study the feasibility of establishing an Office of Inspector General.

This office would be an independent agency charged with the purpose of preventing fraud, waste and abuse, and mismanagement in the expenditure of public funds.

This House and Senate approval was the direct result of Operation Clean Government's research and proposed legislation introduced during the last three legislative sessions.

The legislation is patterned after a Massachusetts law enacted in 1982 creating the first state Inspector General. Since that time 13 other states and many large cities have also created an office of IG with reported savings in excess of the cost of running the office.

The Senate Government Oversight Committee, Chaired by Senator Lenihan, heard the bill and testimony from Operation Clean Government, Common Cause, the ACLU, and the Attorney General's Office. They concluded that issues were raised that required

further study and amended the legislation to form this special legislative commission.

Unfortunately, the commission has yet to be formed even though two identical bills passed, one in the House and one in the Senate, because the House didn't pass the Senate's bill and the Senate didn't pass the House's bill.

This year, identical bills to form the special legislative commission will be introduced by Sen. Parella and Rep. Enos. The commission will be comprised of thirteen (13) members: five (5) of whom shall be from the House of Representatives, not more than four (4) from the same political party, to be appointed by the Speaker; five (5) of whom shall be from the Senate, not more than four (4) from the same political party, to be appointed by the Senate President; one (1) of whom shall be the Attorney General, or designee; one (1) of whom shall be the Governor, or designee; and one (1) of whom shall be the Treasurer or designee. The legislative appointing authority may appoint a member of the general public to serve in lieu of a legislator.

Operation Clean Government's research into the Inspector General legislation is ongoing with anticipation of participating in the process.

"RI for sale, cheap" ...Lincoln Steffens

When Lincoln Steffens became editor of McClure's Magazine in 1901 he began writing a series of articles entitled "The Shame of the Cities." These articles led to nationwide speaking tours in which he used comic irony rather than moral indignation to make his audiences aware of "the ethical paradox of private interest in public affairs." (see Britannica).

Steffens spoke against the dogma that connected economic success with moral worth. He showed that the Horatio Alger success stories often occurred by corrupting communities and themselves. Steffens described Rhode Island as a state that was for sale, cheap.

So, one hundred years later, here we are, still surrounded by buddied-up businessmen and legislators who are still corruptly enriching themselves at our expense — and still proclaiming their moral worth and good corporate citizenship.

Delayed appointments to ethics panel violates law

BY JANICE F. CARLSON

The good news is: Governor Donald Carcieri has named Frederick Butler as a member of the Rhode Island Ethics Commission (RIEC) from the list submitted by House Minority Leader Robert Watson. Butler, who is Harvard educated, has excellent credentials in ethics as the vice president of business ethics and corporate secretary for Textron.

The bad news is: The appointment fills a vacancy that has existed for nearly two years and highlights the slow and cumbersome process in place to replace commission members.

The lack of urgency in filling lapsed and vacant seats has raised dire issues in the functioning of the commission. Such as RIEC's Vice Chair, Patricia Moran's request to create legislation to change the statute that requires an affirmative vote by five members of the commission to approve Advisory Opin-

ions. Ms. Moran's idea for proposed legislation would require only three (out of nine) members to pass an Advisory Opinion.

It is unfortunate the commission is looking for ways to dilute the process of enforcing the ethics code rather than proposing legislation to strengthen and hasten the appointment process. With a full and current panel, the RIEC should be able to muster more than five members per session to give due deliberation to Advisory Opinions.

Currently, House Speaker Murphy is responsible for sending a list of nominees to the Governor for Commissioner Richard Kirby's term which expired in 2002.

And Majority Leader Gordon Fox has yet to submit his list to replace James V. Murray whose term expired Sept. 2003.

The fact that vacant seats and expired terms go unfilled in this crucial agency for years borders on scandalous.

State House, continued from page 1

pharmacy freedom of choice. His committee heard and tabled another bill from the House that would have allowed Rhode Island consumers to purchase prescription drugs from Canada at substantially lower prices. He also had questionable connections with Blue Cross Blue Shield RI when he proposed a BCBSRI television series on health care, then persuaded Cox cable to pick up the show, which he then hosted.

Senate President William V. Irons (D-East Prov.), after refusing to reveal the names of his business clients, resigned abruptly as Senate President and as of Feb 6, as a senator. His close friendship with the head of CVS was made public when the *Providence Journal* reported Irons' trips to various sporting events on the CVS corporate jet. Later we learned that he was paid commissions from Blue Cross Blue Shield of Rhode Island for brokering a health plan for CVS employees. Only the RI CVS has hired a broker for health insurance. In 23 other states, CVS health insurance contracts do

not list brokers or commissions.

Representative William J. McManus (R-Lincoln), a CVS employee, participated in a house floor debate in May 2003 on a bill allowing citizens to purchase drugs from Canada. Additionally, in September 2003, McManus participated in Legislators Back to School Week, and while visiting two classrooms, distributed to each student CVS promotional items in a CVS bag. Among the items were disposable cameras, caps and light-up pens.



McMANUS

Attorney General Patrick Lynch and the state police are investigating alleged conflicts that legislators have with corporations. However we soon learned Lynch himself was a former lobbyist for CVS. This has led to calls for a special prosecutor.

Governor and House Speaker weigh in

All of the above has provoked Governor Don Carcieri to call for elected officials

to name sources of income. He also has proposed an "independent select commission" to study why "our political system has bred a culture of unethical and corrupt behavior in the statehouse."

In response, House Speaker William Murphy suggests that the budget for the Eth-

ics Commission be increased so they can do such a study. This is the commission that is still waiting for two appointments to fill terms that have expired, one in Sept. 2003, the other in Sept. 2002.

A list of five names should have been submitted to the governor by both Speaker Murphy and Majority Leader Fox so that the governor can make these appointments.



CARCIERI



MURPHY

Talk show callers reveal citizen anger



WHJJ TALK SHOW HOST ARLENE VIOLET (left) interviews OCG ethics expert SARA QUINN on January 4. Angry callers dwelt upon the relationship between Senator Irons and CVS president Tom Ryan. Asked if Tom Ryan was protected from prosecution, former Attorney General Violet said, "the ethics code calls for prosecution of both the briber and the bribee."

**YOU can help reform Rhode Island
Join OCG today!
See page 4 for details**

When did voters approve these bond issues?

BY ROD DRIVER

The huge tunnel being dug under downtown Providence for temporary storage of overflow sewage will be the most expensive public works project ever for the State of Rhode Island. The "first phase" is projected to be completed in 2007 at a cost of \$315 million. A second phase will bring the total to more than \$500 million. Pictures and diagrams of the current work appeared in the *Providence Journal*, Dec. 5, 2003.

If you don't remember ever voting for this kind of borrowing don't feel bad. You didn't! The voters never saw this issue on the ballot. A small hint of the project appeared on the ballot on Nov. 7, 2000. Question 2, as described in the "2000 Voter Information Handbook," sought approval for the issuance of bonds for \$60 million. This was to enable zero-interest loans for a number of projects, including the NBC (Narragansett Bay Commission) "combined sewer overflow systems."

So where is the authorization to borrow \$500 million?

Here's the trick. Instead of the NBC issuing public bonds to finance the project, bonds are being issued by the quasi-public "R.I. Clean Water Finance Agency." It in turn lends the money to the NBC. The debt is to be repaid by the ratepayers in communities served by the NBC. If necessary, the NBC

will ask the Public Utilities Commission to authorize rate increases.

A different but equally-suspect method of financing, being used by the Department of Transportation, was described in "Evading voters, state takes on new debt over \$1 billion," by Beverly Clay in OCG Newsletter, Oct./Nov. 2003. Voters didn't even have a choice for this new debt.

In 2000, OCG took the position that the voter information handbook distributed by then Secretary of State James Langevin did not describe for the voters ballot referendum Question 2 (mentioned above) and Question 3 on Transportation Bonds. Operation Clean Government did not take a position against the underlying projects. We just believed voters should know what they were voting on.

So OCG drafted legislation in 2001 to require that future Voter Information Handbooks offer both pro and con arguments for each referendum question, as is done in several other states. We worked to refine the bill with Secretary of State Ed Inman who enthusiastically supported the effort. In 2002 our bill introduced by Rep. Steven Smith actually passed the House, but then died in the Senate Judiciary Committee. To date the present Secretary of State, Matt Brown, has not endorsed the idea. But OCG will try again this year.

2004 Budget Deficit Where has all the money gone?

Hold onto your wallet as legislators and the governor clash over budget shortfall. No more band-aid approach.

The state is out of band-aids.

BY SANDRATHOMPSON

We have a serious financial problem in Rhode Island, a budget deficit of nearly \$40 million this year and a predicted \$190 million next year. Governor Carcieri has said that raising taxes is not an option in line with his promise to the people when he ran for office in 2002. So where is the money to come from?

Unfortunately, for the past two years lawmakers have relied on the band-aid approach of one time revenues to bail out the state and have avoided dealing with the basic problem to get spending in line with income.

In June 2002, the newly and quickly formed RI Tobacco Settlement Financing Corporation sold to private investors the right to collect over the next 20 years \$1.2 billion as Rhode Island's share of the tobacco settlement money in exchange for \$685.4 million. The first \$543.2 million was used to pay state government expenses and debt. A total of \$7.493 million went to accountants, lawyers, brokerage houses, rating agencies, financial advisors, printers, etc., who were awarded roles in the deal.

Just one year later state lawmakers were facing another gaping hole in the budget, anywhere from \$50 million to \$101 million. Luckily, another windfall came the state's way in the form of \$100 million from the federal government compromise tax-reduction plan.

In a *Providence Journal* article by Katherine Gregg, May 24, 2003, Governor Carcieri was quoted as saying "I think it would be a real mistake to use the whole \$100 million just to plug the operating deficit." Rhode Island Public Expenditure Council (RIPEC) head Gary S. Sasse commented that while the federal aid "is timely... it should not substitute for finding meaningful savings on the spending side of the ledger."

House Majority Leader Gordon Fox, (D-Providence) weighed in that although he welcomed the unexpected, new found money, he went on to say, "we don't want to mask our structural deficit... (with) what I call a one-hit wonder."

And finally Senate Finance Chairman Stephen Alves, D-West Warwick, warned that while the money might help "in the short term... we still have to address our long-term structural deficit." However, the General Assembly chose not to heed the governor's advice nor even the words of fellow legislators and passed a budget that spent the entire windfall, but did nothing to address the structural deficit.

Maybe now our lawmakers, with no windfalls in sight, will get down to business and tackle the difficult job of balancing the budget for the long term. But will the people get honest and open debate soon on this issue which impacts every citizen in Rhode Island, or will some last minute deal be cooked up in the waning hours of the 2004 session that will cost the taxpayers and satisfy the special interests?

Now is the time to call your legislators and ask them how they specifically plan to solve Rhode Island's financial crisis for the long term. It is crucial to our future to keep the budget on the front burner. Keep in mind that 2004 is an election year, and your legislators want your votes. Make them earn those votes by working for the people they are elected to serve.

Don't Miss Operation Clean Government's State of the State Cable TV Program

Sundays at 8 A.M. on Cox Channel 13 (*statewide*)
Thursdays at 9 P.M. and Fridays at 3 P.M. on Cox Channel 18
(*in central areas of Rhode Island*)

To receive email announcements of the content of the programs, send us your email address through the OCG website, www.ocgri.org, requesting to be on our list for notifications and other OCG news.

Join the OCG Team

For as little as \$1 a month, you can help fight corruption and unethical behavior in RI state government.

OCG's goal is to promote Honest, Responsible and Responsive state government. OCG has no political affiliation. We have no paid staff. WE ARE ALL VOLUNTEERS. Funds raised are used to file court suits and ethics complaints and to print and distribute newsletters. Other expenses include mailings, office supplies and public forums. Take pride in your state by being a member of this great team. JOIN NOW!

OCG MEMBERSHIP FORM

YES, I want to join other Rhode Island citizens and help to promote Honest, Responsible and Responsive State Government.

New member Renewal

My membership contribution to OPERATION CLEAN GOVERNMENT is enclosed:

\$12 Individual \$15 Family (list all names to be included) \$25 \$50 \$100 \$____ Other

Name(s) _____ Home Phone _____

Business Phone _____

Street _____ Email Address _____

City/Town _____ State _____ Zip _____

OCG is a non-profit organization, however contributions are not tax deductible because our activities include lobbying.

Yes, I would like to volunteer some time or participate on one or more of the OCG committees. Please call me.

OPERATION CLEAN GOVERNMENT • PO BOX 8683 • WARWICK, RI 02888

I heard about OCG from _____

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