



Seeking Assurances

RHODE
ISLAND
LEAGUE
of
CITIES
and
TOWNS

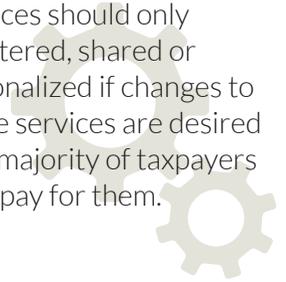
Finances

State aid programs provide the fiscal resources for property tax relief. It is important that they be supported and maintained.



Partnerships

Any state partnership with cities and towns must be mutually agreeable. Municipal services should only be altered, shared or regionalized if changes to these services are desired by a majority of taxpayers who pay for them.



Labor Relations

Cities and towns should be able to manage their workforce in accordance with a balanced statutory mechanism that protects the rights of both public employees and their employers.



Retirement

An equitable balance must be maintained between the affordability of benefits for our former employees and the adequate resources they deserve during their post employment years.



Municipal officials want to establish a positive relationship with our new Governor and continue to work cooperatively with the members of the General Assembly. To accomplish this, municipal officials will be conveying their support of the League's legislative policy goals as described in this pamphlet and as summarized in the following areas:

City and Town Finances: Our policies assure that positive municipal financial conditions be maintained, and existing state aid programs providing property tax relief and the fiscal resources for critical school and municipal infrastructure improvements be supported.

State /Local Partnership: Our policies assure that any state intervention in municipal affairs be reasonable and that municipal services will only be altered, shared or regionalized if changes to these services are desired by a majority of taxpayers who pay for these services.

Labor Relations: Our policies assure that cities and towns be afforded the ability to manage their workforce in accordance with a balanced statutory mechanism that fairly and indiscriminately protects the rights of both public employees and their employers.

Retirement Affordability: Our policies assure that a delicate balance be maintained between the affordability of benefits for our former employees and the adequate resources they deserve during their post employment years.

■ Improved Financial Position

Cities and Towns have worked hard to improve their financial position since the depths of the recession and the loss of over \$200 million dollars in state aid. Most of them have been successful. Since 2010, fund balances of our 39 cities and towns have increased by more than \$80,000,000. Unfortunately, some have been more successful than others. It remains the case that a handful of Rhode Island's urban core cities remain in a financially precarious position. Our employees have sacrificed, services have been cut, and property taxes have been increased, but that has not been enough. It was a positive that the school aid formula was funded, but **more needs to be done to help stabilize local municipal finances and reduce local government reliance on the property tax to support municipal services.**

■ School Funding Formula

A positive element of the legislature's annual budget was continued support of the school funding formula. **We seek assurances of continued support to stay on schedule as well as fair and comprehensive school construction funding. Financial incentives to address local pension and OPEB funding are also endorsed.**

■ School Construction

School Housing Aid grew rapidly from \$25.5 million in FY 2000 to a peak of \$74.6 million in 2013, declining to \$67.7 million this year. For over 30 years, cities and towns had a secure commitment from the state on assisting in the financing of school construction and renovation projects. This commitment endured through numerous recessions even when other state aid programs were negatively affected.

In 2011, the legislature enacted a moratorium on projects other than those related to life and health safety. There have been a number of proposals to unlock the spigot including the creation of a bond bank. Our members are open on the details of the solution but are committed to forging a solution. **There is no reason that our current generation of students should go without the facilities conducive to learning and achievement that the last generation enjoyed.**



■ **State Aid Assurances**

Various state aid to cities and town programs have been initiated and suspended over the last 25 years. Here are the most significant.

- **General Revenue Sharing** – Last fully funded at \$65.1 million in FY 2007. Now totally eliminated.
- **Motor Vehicle Excise Tax Phase Out** – Last fully funded at \$136.2 million in FY 2007. Now funded at only \$10 million.
- Through 1989, the state paid 60% of teacher **retirement costs**. Their 40%

state share this year is \$81.3 million. If 60% sharing still applied, the state would be spending \$121.9 million and local costs would be reduced by \$40.6 million. In our neighboring states of Connecticut and Massachusetts, the state pays 100% of teacher retirement costs.

- There have been some modest increases in other **state aid programs**. Payment in Lieu of Taxes (PILOT) has been increased from a baseline of \$27.8 million to \$40.1 million. Municipal Incentive aid was introduced in FY 2014 at \$5 million.

The annualized losses in state aid can conservatively be estimated at **\$214.6 million**.

	Base Appropriation	Year	Now	Annualized Loss
General Revenue Sharing	\$65.1	2007	\$–	\$(65.1)
Motor Vehicle Phase Out	\$136.2	2007	\$10.0	\$(126.2)
Teacher’s Retirement	\$36.9	1989	\$81.3	\$(40.6)
PILOT	\$27.8		\$40.1	\$12.3
Municipal Incentive Aid	\$–		\$5.0	\$5.0
Total				\$(214.6)

▲ The chart above illustrates the fiscal consequences of “promises made – promises broken” fiscal policy that only result in a higher reliance on property taxes by our cities and towns. Ironically, the increased reliance on property taxes resulting from these broken promises is the very antithesis of the rationale for the creation of these aid programs!

■ Tax Appeals

The overall tax appeal process is cumbersome and lengthy for both cities and towns, and plaintiffs. Legislation drafted by the state, the assessors association, and plaintiff attorneys secured passage in the House earlier this decade but failed in the Senate. **It is time** to resurrect that effort with modifications to deal not only with man hours consumed, but to **speed up the process, reduce accrued interest on appeals, and to urge the Superior Court to create a special calendar for property tax appeal cases.**

■ Property Tax Exemptions

One of local government's biggest battles in 2012, 2013 and 2014 was over a bill which would have exempted from taxation newly constructed single family homes until they were sold. The bill passed both branches, but was ultimately vetoed each year it passed. As a general principal, cities and towns oppose carving out special groups for exemptions. **Cities and towns will continue to oppose any initiative which will decrease local revenue streams, by any degree notwithstanding any rationale to do so.**

■ Property Tax Policy

Over the last 30 years, the legislature has approved various special tax classification plans or homestead exemption strategies unique to each city and town. Most of these plans have been at the request of the city or town. While putting the ink back in the bottle will be difficult; cities and towns recognize that their property tax strategy needs to be competitive with their neighbors. **Cities and towns need help from the state in authorizing gradual changes in tax classification which will ultimately yield competitive and comparable tax rates for all types of property.**



■ Motor Vehicle Tax

Legislation to modify the valuation method of motor vehicles for tax purposes has been introduced over the last several sessions. While recognizing that the current valuation method generally results in valuations that exceed the market value of vehicles, the change to values proposed (absent the authority to change tax rates) would result in a loss of municipal excise tax revenues of between \$40 million and \$50 million annually.

There have also been concerns expressed during the election campaign about high tax rates in some cities and towns and the varied exemption amount (from \$500 and up) applied in different cities and towns. This is another sin of the past issue which we recognize needs to be addressed. We are ready to be a participant in a solution. But once again, the solution can not be a budget buster for cities and towns.

We seek assurances that state leaders will carefully examine both sides of the issue and recognize the revenue foundation that the car tax now provides.

■ Property Taxes

Cities and Towns are highly reliant on the property tax. This partially reflects a history in the Northeast that limits other taxes (such as local income or sales taxes). Notwithstanding this high reliance, cities and towns have been responsible participants in complying with the 4% tax cap instituted in 2006. Exceptions have

been requested and granted in limited extraordinary circumstances usually as a result of significant losses in state aid, yet *for the last three years, the property tax levy has increased by under 2% each year; 1.64% for FY 2015, 1.87% for FY 2014, and 1.73% for FY 2013.* There remain some significant challenges to municipal leaders in a number of tax policy areas.

■ Gambling

The introduction of gambling in Massachusetts over the next several years will have serious consequences for state finances. The state's five year financial projection forecasts that lottery receipts, even with the advent of table games at Twin Rivers, will decline from \$384.5 million in FY 2015 to \$265.9 million in FY 2019. Most of this decline will occur from FY 2016 to FY 2018 and is dependent on the timing and location of Massachusetts facilities. Half of our state's structural imbalance in the forecast is driven by the decline in lottery revenues. Any solution to the state's long term fiscal problems, driven by the decline in lottery receipts, and which relies on decreases in state aid and a resulting increase in property taxes, is unacceptable to taxpayers. *Cities and towns seek assurances that the state's answer to declining lottery revenues will not be cuts in state aid.*

State Oversight of Cities and Towns

■ Budget Commissions

As the recession bottomed out, several cities were in such dire financial straits that a new act was passed that created a state oversight framework for troubled cities. The driving forces creating near insolvency were cuts in state aid and stock market losses in pension assets. This mechanism has been used in Central Falls, East Providence, and Woonsocket. Municipal officials objected to the details of the act but not the need. In particular, there is lack of clarity on the continued responsibilities of CEO's and Councils during oversight and there is an imbalance in the determination of when oversight will end. **Local leaders seek clarity in these issues.**

■ Shared and Regionalized Services

There have been a number of initiatives to encourage or force cities and towns to share, regionalize or standardize services. Some of these ideas, cities and towns support; some they do not. They range from a standardized or pooled health insurance plans (some of this has happened), to regional dispatch or combined fire/police dispatch, to merged property tax collections, to combining school/municipal functions, to a uniform Chart of Accounts for financial reporting. **Municipal officials enthusiastically support all such local efficiencies, but are opposed to any mandate on cities and towns to regionalize or share services when such mandates violate home rule principles as embedded in the state's constitution.**

■ Collective Bargaining and Shared Services

A major roadblock to executing shared services opportunities is the difficulty of merging employee groups which prior to regionalization were represented by one bargaining group and will be transferred to another with different compensation and working conditions. Another major problem is the decision making authority of unaccountable arbitration panels to thwart any efforts to share or regionalize services. **Cities and towns need modifications to our labor laws to remove these roadblocks from the purview of arbitration panels and the RI State Labor Relations Board.**



■ **Waste Disposal**

The Resource Recovery Corporation continues to bring to local officials attention the limited useful life of the Central Landfill and the modest tipping fees now charged cities and towns. We are currently working with them on this subject. **Cities and towns will object to pay-as-you-throw (PAYT) as the only solution to the landfill problem and seek assurances from the Governor and General Assembly that they have an open mind on the right solution to extending the life of this valuable resource.**

■ **Bureaucratic Overhead**

While most cities and towns are grateful for the continued commitment to the school funding formula, there is great concern over the overhead and multitude of tasks required to apply for school construction and technology aid. The process seemingly never ends and while RIDE supports the process as one that is necessary to assure accountability and reduce costs, **our cities, towns, and school districts believe modifications are necessary to create cost effective programs accompanied by a restored financial commitment from the state.**

Labor Relations

■ Scope of Bargaining

Like thirty-seven (37) other states, Rhode Island has enacted public sector collective bargaining laws and in Rhode Island, these important statutes exist for every group of employee working for either the state or its thirty-nine cities and towns. Rhode Island's laws, however, unlike the collective bargaining laws in the other thirty- six states, do not provide for a statutory "scope of bargaining" which sets forth those issues which **must** be bargained for, those which **may** be bargained for if the parties mutually agree to do so, and those subjects which are **prohibited** and cannot be collectively bargained for. R.I. public sector bargaining laws for all groups of municipal employees and our school teachers should provide for a statutory "scope of bargaining" provision which would protect the inherent managerial rights of cities and towns and school districts to direct and control their workforces. **Cities and towns look for support to achieve reasonable limitations on the scope of bargaining.**

■ Binding Arbitration

Binding arbitration, as a means to resolve public employee contractual disputes for local firefighters and police officers represents a fundamental violation of local decision-making authority. It cedes basic budgetary decision-making authority to an un-elected, unaccountable, and outside third party. Local government officials oppose any enactment of binding arbitration of any form for school teachers or groups of municipal employees because



it would take essential spending decisions out of the hands of elected local officials and instead allow outside arbitrators to determine salaries and benefits of local government employees. **Municipal officials applaud our new Governor on her commitment to oppose expanded binding arbitration, and they are grateful for the General Assembly's collective wisdom in the past to oppose binding arbitration for teachers and other municipal employees.**

■ Evergreen Contracts

Municipal officials are staunchly opposed to enactment of labor contract extensions known as "Evergreen" contracts for any group(s) of municipal or school employees. **Automatic statutory contract extensions can codify, possibly in perpetuity, onerous and costly labor contract provisions which are not responsive to rational changes in the way services are now delivered.**

■ **Management Rights**

City and town officials believe state law needs to affirm that municipal charter provisions may limit an arbitrator’s decision on labor contract language which conflicts or contradicts certain management rights contained in a charter or ordinance. **The overriding responsibilities of elected municipal officials to the citizens of their communities necessitates that the law recognize and define a set of inherent management prerogatives that are not subject to collective bargaining or binding arbitration and which may not be restricted by any provisions of a collective bargaining agreement.**

■ **On-the-Job Injuries**

Municipal officials believe that the statutory IOD program for public safety employees should be amended to ensure that **those defined as qualified, uniformed members of our public safety departments should be the only eligible recipients of benefits under RIGL 45-19-1.**

■ **Cadillac Tax**

Beginning in 2018, under the Affordable Care Act (ACA), employers will be charged an excise tax on health benefits which exceed a certain threshold. The League believes that many existing municipal health insurance plans will be subject to the tax. **The Governor and Legislature need to assist cities and towns in consummating a unified health insurance plan design** (which may also apply to teachers and state employees) which will avoid the tax consequences of the ACA. There will be an additional benefit of ease of administration and fairness.

Retirees

■ State administered pension reform

State pension reform was enacted in 2011. The first result for cities and towns was that employer contributions for participants in MERS as well as all teachers, which would have increased because of reduced investment return assumptions, were moderated to levels that approximated contributions that existed before pension reform. The mediated settlement would have preserved most of the savings with some modest increases in employer contributions. Police public safety retirees rejected the mediated settlement. There remains speculation that a settlement is in the works. The League has concern that the settlement will create a disproportionate additional burden on MERS units of government with public safety retirees and active employees. The League will object to any settlement which targets and accedes to improved benefits and increased employer costs for municipal retirees.

Local officials seek assurances from the Governor and legislature that pension litigation will not be settled on the back of cities and towns.



■ Locally administered pension reform

The state pension reform act included one section which focused on locally administered plans. This section created a study commission to address the problems of private municipal pension plans. Our members have worked cooperatively with the study group to devise strategies for improving the health of these plans. We are ready to continue that effort both for pensions and other post employment benefits.

Cities and towns need help from the state in executing the changes necessary just as the state acted to modify benefits for its employees and teachers in 2011.

■ Retiree Health Insurance

Similar to pension commitments, decisions on retiree health insurance were made when costs were relatively modest. After decades of near double digit medical cost increases, these presumed guarantees on plan design and lack of participation by retirees are unsustainable. Once again, our cities and towns support a state initiated benchmark which provides a foundation for municipalities to modify plan design and require retiree participation in health care costs. Such authorization should allow municipal employers to modify plan design and employee participation such that benefits for retirees are no better than health benefits received by active employees.

“The Unified Voice of Local Government”



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