



# Municipal Fiscal Impacts of COVID-19

FOR THE MUNICIPAL RESILIENCE  
TASK FORCE

RI LEAGUE OF CITIES & TOWNS

SEPTEMBER 24, 2020

# Overview

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**RHODE ISLAND LEAGUE**  
OF CITIES AND TOWNS

- **COVID-19-Related Expenditures**
- **Lost Revenues**
- **Impact of State Budget Uncertainty**
- **Long-Term Considerations**

# COVID-19 Expenditures

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## Cities and towns have incurred direct costs from responding to COVID-19

- Purchase of personal protective equipment (PPE)
- Safety upgrades to public spaces (Plexiglass in town hall, etc.)
- Cleaning public spaces (local parks, beaches, etc.)
- Enforcement costs / community outreach
- School reopening costs

# COVID-19 Expenditures

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## **FEMA has changed the criteria for Federal reimbursement**

- No longer paying for personal protective equipment, temporary physical barriers for non-public safety agencies

## **State's Coronavirus Relief Fund (\$1.25 billion) may be used for municipal COVID-19 costs**

- Local match for FEMA reimbursement (25% of costs)
- Direct costs for public safety personnel (salaries, overtime for backfilling COVID-19-related vacancies, etc.)

# COVID-19 Expenditures



	Estimated Expense	Notes
Municipal costs submitted to FEMA for reimbursement (at 75%)	At least \$5.3 million (through July 2020); schools TBD	Data collected from League survey & Municipal Finance reporting (updated 7/27/2020); NOTE: FEMA will not likely reimburse total amount
Local FEMA match (at 25%)	At least \$1.8 million (through July 2020)	See above; represents required 25% local match of FEMA reimbursement
Costs no longer covered by FEMA	TBD	FEMA guidance in Sept. 2020 suggests it will not reimburse for PPE & cleaning in non-public safety agencies
Other eligible costs (public safety personnel, etc.)	TBD	State used approximately \$25 million in Coronavirus Relief Funds for state personnel costs in FY 2020 (public safety, public health)
School reopening costs	TBD	Governor set aside \$50 million in Coronavirus Relief Funds for school reopening

# Lost Revenues

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## Cities and towns have lost revenues as a result of COVID-19

- Meals & Beverage Tax
- Hotel Tax
- Fees and Departmental Activities (e.g., police details, etc.)
- Property Tax (e.g., reduced collection rates, business closures, commercial property valuations, etc.)

# Lost Revenues



	Estimated Impact	Notes
Meals & Beverage	\$4.1 million (FY 2020) \$7.5 million (FY 2021)	FY 2020 losses are actual, compared to FY 2019; FY 2021 figures are from state projections
Hotel Tax	\$1.1 million (FY 2020) \$4.4 million (FY 2021)	FY 2020 losses are actual, compared to FY 2019; FY 2021 figures are from state projections
Fees & Departmental Revenues	\$9.4 million (FY 2020) \$28.5 million (FY 2021)	Estimated at approximately 10% of departmental revenues, following guidance from local finance directors and Municipal Transparency Portal data
Property Tax	\$24.1 million (FY 2021) TBD (FY 2022-23?)	FY 2021 number estimated at 1% of total property tax revenues from lower collection rates, following guidance from local finance directors; later-year impacts could be larger if business closures lead to challenges to property valuations

# State Budget Uncertainty

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Without a FY 2021 state budget, cities and towns are facing lower aid levels than anticipated, causing cash flow problems

- Delayed PILOT Payments
- Motor Vehicle Phase-Out – lower tax receipts & reimbursements
- Lower Distressed Communities Aid
- Lower Education Aid
- Other Aid –local share of Twin River revenues, airport aid

# State Budget Uncertainty



	Estimated Impact	Notes
PILOT	\$26.9 million (FY 2021)	Reflects delayed payments of five months (through November 2020)
Motor Vehicle Tax Reimbursement	\$12.5 million (FY 2021)	Reflects monthly payments instead of quarterly; also communities have been billing at FY 2021 phase-out rates but being reimbursed at lower amounts for FY 2020 rates.
Distressed Communities	\$9.8 million (FY 2021)	Reflects delayed payments of five months and legislative approval of \$6.2 million cut, as proposed by Governor
Education Aid	\$27.4 million (FY 2021)	Reflects lower payments of five months (91.7% of projected FY 2021 amounts)
Gaming / Airport Aid	at least \$5.3 million (FY 2020 & FY 2021)	The State withheld lottery host payments; declines also expected in rental car fees and airport PILOT

# Long-Term Considerations

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## Cities and towns have limited tools for major budget changes

- Property tax is the primary source of revenue
  - Property tax represents 62% of municipal revenues, statewide
  - Rhode Island has 6<sup>th</sup> highest property tax burden
- Schools are largest expenditure function for most communities
  - Schools represent 58% of municipal expenses, statewide
  - Governed by independent school committees
- Personnel costs are largest category of expenditures
  - Personnel costs are 70% of municipal expenses, statewide (65% for municipalities; 74% for schools)
  - Constrained by state mandates (binding arbitration, evergreen contracts), judicial decisions on retirement benefits, collective bargaining agreements

*Data from Municipal Transparency Portal, FY 2018 (expenses), FY 2019 (revenue)*