Navigating Turbulent Times
Legislative Priorities 2021
Federal and State Aid to Cities and Towns

COVID-19 has hit local budgets hard, with cities and towns incurring new costs to protect their residents and businesses. The economic slowdown has also led to municipal revenue losses from hotel and meals taxes, property tax collections and other local fees. The Rhode Island League of Cities and Towns has partnered with the National League of Cities to advocate direct Federal aid to local governments. Swift action in Washington DC will avoid staff layoffs, service reductions and increased property taxes at a time when many Rhode Islanders are struggling.

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State aid to cities and towns, including education aid, represents approximately 30% percent of municipal budgets. The League supports robust state funding to local government to support essential municipal functions and reduce reliance on local property taxes. Every state dollar to cities and towns and schools is effectively a dollar in property tax relief.

Maintain Funding for Distressed Communities – This program assists communities that have high property tax burdens relative to the wealth of their taxpayers, including Central Falls, Cranston, North Providence, Pawtucket, Providence, West Warwick and Woonsocket. Not only do these communities have many residents below the poverty line, but they also have among the highest rates of COVID-19.

Fully Fund Payment In-Lieu of Taxes (PILOT) – With more than a dozen communities hosting tax-free entities like state facilities and non-profit hospitals and colleges, PILOT bridges the gap between lost tax revenues and the necessary local services, like police and fire, that are provided to those institutions. The League also supports efforts to expand the types of properties that qualify for PILOT assistance.

Oppose Agency “Scoops” – The League consistently opposes taking funds from quasi-governmental organizations as a one-time resource to close the state’s deficit. Many of these programs – such as the RI Resource Recovery Corporation, RI Infrastructure Bank and RI Health and Education Building Corporation – are funded by municipal fees, so agency scoops would effectively use city and town funds to close the state deficit.
Education

Education spending represents the single largest budget item in most communities. In light of distance learning costs from COVID-19, local budget challenges and the prospect of Federal assistance for schools, the League calls for additional support and flexibility in state education spending.

Maintenance of Effort Relief – We strongly support a temporary waiver to the state maintenance of effort (MOE) requirements for local contributions to schools and libraries. These MOE requirements are intended to provide steady local funding from year to year, but they must be relaxed in light of recent developments. In response to COVID-19, many communities made distance-learning investments in personnel, curriculum and equipment that may not be exempt from MOE requirements. Additionally, certain expenses of schools and libraries may qualify for Federal COVID-19-related stimulus programs, allowing some operating costs to be shifted away from state and local funds. MOE relief will provide additional flexibility for school districts and cities and towns as they prepare their FY 2022 and FY 2023 budgets.

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School Funding Formula – The education funding formula has increased state aid to education, improved student outcomes and slowed property tax growth. However, Rhode Island’s state share of education budgets still lags behind those of our neighbors. With FY 2021 the tenth and final year of the formula, we encourage lawmakers to revise the formula to address the following concerns:

- **Improve budget certainty** – School districts can see major increases or decreases in their state education funding from year to year. The state should smooth any decreases while being more responsive to new costs.

- **Increase state pension contribution for teachers** – Rhode Island covers only 40% of the employer portion of teacher pensions, with local government covering the remaining 60%. Four other New England states cover 100% of the costs, and we urge Rhode Island to increase its share.

- **Fully support essential “categorical” programs** – Cities and towns are struggling with the high costs of special education and transportation, which have not been funded at appropriate levels. The state should also encourage efficiency by increasing regional school bonuses.
Property Taxes & Car Tax

Property taxes represent two-thirds of local revenues. To fund essential government services, cities and towns need to preserve their ability to assess and collect property taxes as efficiently as possible.

**Property Valuation** – Cities and towns are required by law to conduct full property revaluations or valuation updates every three years, with those property values used to calculate local property taxes. An adverse R.I. Supreme Court ruling in 2018 now allows taxpayers to appeal valuations more frequently than every three years in spite of that law. The League supports legislation (H5407/S0115) to affirm that property tax challenges and appeals can be based only on the most recent three-year valuation. The League also supports a study commission to review the frequency of property revaluations, which could result in more frequent value updates, as is now done in Massachusetts.

**Car Tax Phase-Out** – The motor vehicle tax phase-out has become an important tool to lessen the burden on property taxpayers, with the state reimbursing municipalities for forgone revenue. The program has been successful in reducing car taxes in Rhode Island to lower than in Connecticut and Massachusetts. If the Governor and General Assembly leadership decide to pause or modify the phase-out, the League asks that any changes be enacted and communicated as soon as possible so that municipalities can plan revenues and minimize disruption to taxpayers.

**State-Mandated Tax Exemptions** – Over the years, state lawmakers have enacted or proposed various property tax exemptions, which may be well-intentioned, but which also erode the local tax base. The League believes that any property tax exemptions should be fully reimbursed by the state for the annual value of taxes lost. Alternatively, such enactments should be enabling rather than mandatory so that the city or town can choose whether to offer the exemption benefit.
Workforce Management

Personnel costs are the largest component of local budgets – representing 70% of expenditures across cities and towns and schools. With municipal budgets supported primarily by property taxes, the League believes that municipal officials need greater flexibility in managing the municipal workforce to encourage innovation, improve efficiency and control property tax growth.

**Binding Arbitration Reform & Lifetime Contracts** – Binding arbitration for public safety employees and the recently enacted lifetime contract law have tied the hands of local officials in balancing their budgets and need to be reformed. The League supports binding arbitration reforms to limit the scope of decisions, require mediation prior to arbitration and provide safeguards so that an arbitration decision cannot endanger a community’s finances. The League continues to oppose the lifetime contract law enacted in 2019 but would support temporary contract extensions when agreed to by all parties.

**Fairness for Municipal Disability Pensions** – Under current law, the disability pension benefit for municipal employees and public safety personnel is 66 2/3% of salary, tax-free, even if the injured individual is able to do other work. In comparison, disability pensions for state employees and teachers are only 50% if the person is able to do other work. This expensive double standard is unfair to local property taxpayers who must pay higher benefits for municipal employees.

**Extend Injured on Duty Reforms to Municipalities** – The League supported state reforms in 2019 to injured-on-duty (IOD) benefits but believes they should apply to municipal employees – not just state employees. Rhode Island’s IOD law grants an injured or sick municipal police officer or firefighter 100% of pay and benefits while he/she is incapacitated and throughout the disability pension application process, including appeals. Many cities and towns pay full IOD salary and benefits to employees for many years, while also paying overtime to cover the vacant positions. We support including municipal employees in reforms to the limit the amount of time that people can receive IOD benefits and to provide greater accountability of the program.

**Increase Accountability for Law Enforcement** – The League has made several recommendations to improve the Law Enforcement Officers’ Bill of Rights. We support the extending the period for officer suspensions; expanding the LEOBOR hearing board and making it a standing committee to ensure the uniform application of discipline across cases; and allowing municipal and police officials to discuss certain investigations publicly.
Local Control & State Pre-emption

While local aid, workforce management and property taxes remain the League’s highest priorities, cities and towns are also deeply concerned about efforts to undermine local control over land use, business licensing and other important policy areas. The League opposes state preemption and one-size-fits-all approaches in the following areas:

**Marijuana** – Marijuana legalization would have health, public safety and workforce management impacts in our cities and towns, and local officials must determine the right approach for their communities. The League will scrutinize any proposals to expand marijuana distribution and sales to assure that local regulatory rights are maintained and that cities and towns receive an appropriate portion of revenues generated.

**Land Use and Development** – Cities and towns – through their elected officials and planning and zoning boards – should decide how best to promote growth and economic development while meeting the needs of their residents. In recent years, the General Assembly has considered legislation to limit local control on permit approval timelines, building heights and density requirements. The League will continue to support reasonable modifications to existing land use standards while rejecting state-imposed criteria that hinder local input.

**Renewable Energy** – The League recognizes the importance of renewable energy targets and supports the development of model ordinances and best practices in collaboration with agency experts and stakeholders. However, we oppose any mandated one-size-fits-all approach that denies appropriate input from the local constituency. We would also oppose any efforts to limit the authority of tax assessors to value the land associated with these projects at fair market value. The League has been part of stakeholder initiatives to encourage responsible solar development that protects sensitive lands and also maintains local control.
Housing & Infrastructure

Numerous local leaders have remarked that the lack of available, affordable homes is limiting job growth and economic development. While zoning and land use should remain a local decision, the state can work with cities and towns to encourage housing construction and rehabilitation.

**State Infrastructure Investments** – The League supported successful legislation in 2018 to create a municipal infrastructure program similar to MassWorks in Massachusetts. The law, supported by GrowSmartRI and the RI Builders Association, created a new competitive grant program to fund infrastructure projects in locally designated growth centers. We have called on the Governor and the General Assembly to fund this program to encourage housing in these areas.

**Municipal Housing Incentives** – The League encourages the creation of a financial incentive program to provide more housing development in cities and towns. Such a program would help cities and towns with technical assistance and funding to offset any increased costs from educating new residents, similar to a model in Massachusetts.

**Resilience Programs** – With many cities and towns facing the effects of climate change – such as coastal erosion and riverine flooding – the League supports funding for resilience improvements to municipal infrastructure and vulnerable areas. Programs such as the Municipal Resilience Program at the RI Infrastructure Bank have enhanced local efforts and protect key assets and areas from natural hazards.
Fiscal Restraint and Financial Successes

With Rhode Island having the ninth highest property tax burden in the nation, municipal officials are working hard to stretch local tax dollars and avoid large tax increases, especially when so many Rhode Islanders are struggling.

Controlling Property Tax Growth – Cities and towns have led the way in budget restraint, supported by sound fiscal management and improved state funding for education. In FY 2021, property taxes across all communities increased only 1.49%. This continues a trend of restrained property tax growth – 2.95% growth in FY 2020, 2.10% in FY 2019, 1.99% in FY 2018, 2.18% in FY 2017, 2.10% in FY 2016, and 1.64% in FY 2015. Sustained state aid to municipalities is the most important ingredient in allowing municipal leaders to continue careful stewardship of their budgets.

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<th>Year</th>
<th>Property Tax Growth</th>
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Shared Services – Local officials know that shared services can encourage regional collaboration and save taxpayer dollars. A recent League survey found that many cities and towns share one or more services with other communities, including mutual aid agreements for emergency response, joint purchasing arrangements and operations like animal control and public works. The League supports efforts to encourage municipal cooperation through authorizing laws and new incentive funding. We also strongly oppose any state laws that limit local officials’ ability to encourage workforce flexibility and to act in the best interest of the taxpayers.
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The Rhode Island League of Cities and Towns is a private, nonpartisan, nonprofit association of cities and towns formed in 1968 to advocate the interests of cities and towns before the state legislature, federal and state agencies, and to improve the effectiveness of local government in the state of Rhode Island.

PUBLIC POLICY ADVOCACY
Lobbying for public policies that benefit and strengthen local government

MEMBERSHIP PROGRAMS
Exploration and implementation of services and programs to benefit cities and towns

INTERGOVERNMENTAL RELATIONS
Promoting stable and productive intergovernmental relationships

PUBLIC AWARENESS
Promotion of increased understanding and support for the benefits and value of strong local government with the media, the general public, and other institutions

MEMBERSHIP EDUCATION
Publications, information, training and networking opportunities for key elected and appointed local officials

UNITY
Fostering a strong sense of unity between all cities and towns resulting in a common agenda to advance local government interests

FEDERAL REPRESENTATION
Advocacy of local government interests before the United States Congress and federal agencies is provided through affiliation with the National League of Cities in Washington, D.C.