LEGISLATIVE PRIORITIES
2019

RHODE ISLAND LEAGUE
OF CITIES AND TOWNS

Distinctive Communities, Powerful Alliance
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.
Workforce Management

Personnel costs are the largest component of municipal budgets – representing as much as 75% of expenditures in some communities. 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.

- **Contract Continuation:** The League has strongly opposed legislative efforts to enact perpetual contract legislation. This will tie the hands of municipal leaders in negotiating employment agreements in the best interest of local taxpayers. A contract’s expiration date is important to motivate both parties to come to the table. The League supports temporary contract extensions when agreed to by all parties.

- **Binding Arbitration:** The current binding arbitration process for police and firefighters is lengthy, expensive and places too much local budget authority in the hands of unelected arbitrators. 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 also supports legislation requiring that neutral arbitrators be a retired state judge, magistrate or member of the state Bar Association. Finally, the League opposes any expansion of binding arbitration on monetary issues to teachers or municipal employees.

- **Injured on Duty Reforms:** The League supports the Governor’s proposed reforms to injured-on-duty (IOD) benefits in her FY 2020 budget. Currently, Rhode Island’s IOD statute provides an injured or sick police officer or firefighter 100% of pay and benefits for the duration of his/her incapacity. While well-intentioned, the law is often costly and burdensome to cities and towns. If an employee applies for a disability pension, cities and towns must continue to pay IOD throughout the entire process, including appeals. As a result, many cities and towns pay full IOD salary and benefits employees for many years, while also paying overtime to cover the vacant positions.

  The Governor’s FY 2020 budget would reform the IOD process to limit the amount of time that people can receive IOD benefits and to provide greater accountability of the program. The League believes that IOD reforms are long overdue and should apply to state and municipal public safety employees to prevent abuse of the benefit.
State Budget & Aid to Cities and Towns

State aid to cities and towns represents approximately 30% percent of municipal budgets (including education aid). The League supports robust state funding to local government to support essential municipal functions and to reduce the need to increase local property taxes.

- **Payment in Lieu of Taxes (PILOT):** The state’s PILOT program helps communities offset some of the lost property taxes from non-profit or state government institutions. The Governor’s FY 2020 budget proposes a $5.3 million cut in state PILOT funding—a 11.5% drop from FY 2019. Because of the timing of state payments, the proposed cuts would harm cities and towns in the current fiscal year, forcing communities to raise revenue or cut services to balance their budgets. The Governor has proposed allowing cities and towns to tax certain non-mission-related property of hospitals and colleges and universities, but this new authority may not assist all communities in closing their budget gaps. Finally, the two communities with the largest PILOT cuts—Cranston and Providence—are both distressed communities and will face challenges in dealing with the shortfall.

- **New Municipal Fees:** The Governor’s budget includes several new charges and fees to municipalities. Our members are particularly frustrated with a proposal for the Division of Motor Vehicles to charge cities and towns $5 for tax holds for every car with past-due excise taxes pending. While the state expects a little over $400,000 from this fee, the League believes the amount will be higher. “Nickel and dime” fees like these raise minimal revenue for the state but are administratively challenging and burdensome for cities and towns. The League objects to new municipal fees to help close the state’s budget deficit.

- **Agency “Scoops”:** Once again, the Governor’s budget proposes taking funds from various quasi-governmental organizations as a one-time resource for the state general fund. We are especially concerned about the $5.0 million transfer from the RI Resource Recovery Corporation, which raised municipal tipping fees for waste disposal by nearly 50% in the last two years. We are concerned that those new fees will be scooped to close the state deficit and that cities and towns would face even higher fees to use the landfill as a result.

The League hopes for a quick resolution to this issue in early spring so that cities and towns can provide important tax relief to residents without delay.
Education

- **School Construction:** During the 2018 legislative session, the Governor proposed and the legislature enacted expanded state support for educational facilities – an initiative the League endorsed. Now that voters have approved a $250 million bond to invest in our schools, every school district has the opportunity to receive pay-as-you-go state funding instead of reimbursable local bonds to pay for at least part of approved projects. Special incentives to state reimbursement levels will also encourage certain types of projects such as health and safety improvements and STEM facilities.

The Rhode Island Department of Education (RIDE) is working on regulations to determine how to distribute new funds. The League encourages RIDE to complete their regulations for the school construction program as quickly as possible so that communities can proceed with important projects.

- **Test Scores and Education Reform:** The recent RICAS scores were a wake-up call and showed the need for educational improvements. Local leaders must be actively engaged in any reform effort. Good schools are vital for our communities, and policymakers at the state and local level must work together to improve educational outcomes for our students. The state’s commitment to the school funding formula has been positive for our communities, and we appreciate that the Governor included another $30 million in education funding in her FY 2020 budget. As we have seen in Massachusetts, the Bay State’s success in student performance was executed at the school district level with the active participation of school committees and local administrators. We envision that approach for Rhode Island schools, and we believe that local officials must be actively engaged in any reform effort.

- **Other School Initiatives:** The Governor has proposed several new education initiatives in her budget – including an expansion of pre-kindergarten education, increased funding for English Language Learners, and a hunger elimination program focusing on school breakfast. All these initiatives have state money associated with them. The League needs assurances that the financial support associated with each initiative is retained and matches the additional costs mandated by these programs so that they do not become unfunded mandates on our communities.
Marijuana

The Governor has proposed legalizing recreational marijuana for adult use, with retail sales to begin in January of 2020. Now that Massachusetts permits marijuana sales and Connecticut is expected to follow, the Governor has called for Rhode Island to establish its own approach to legalization. Given the importance of this decision to our cities and towns, the League urges a careful and deliberative process to ensure appropriate local control.

Marijuana legalization will have health, public safety and workforce management impacts in our cities and towns, and local officials need time to understand the challenges and determine the right approach for their communities. Because new establishments could be licensed as early as next year, the Governor’s proposal would require municipalities to enact “local zoning and use ordinances” for marijuana establishment operations by January 1, 2020. Cities and towns would have only a matter of months to determine the appropriate siting and operational guidelines for businesses that have never before operated in this state. A community could prohibit marijuana-related businesses only by public referendum, with the first opportunity in November 2019 -- requiring a costly special election in a non-election year. Instead, we believe communities should be able to opt-in, requiring an affirmative vote from the public before approving new businesses.

Further, the Governor’s proposal specifically prohibits “community host agreements” between the city or town and the licensee, with licensing exclusive to the state Cannabis Control Commission. Host agreements have been an important component of Massachusetts licensing, allowing communities and marijuana businesses to negotiate operating agreements and fees to address local impacts.

The Governor’s proposal would share marijuana tax and excise revenue with cities and towns since they would face increased costs from legalization. However, at this early stage, it is difficult to determine whether the proposed revenues would be sufficient to address the new costs for cities and towns.

We recognize the budget constraints facing our state and the challenges posed by legalization by our neighbors. However, we believe that Rhode Island must proceed cautiously and deliberatively to allow our residents and their local officials sufficient time and opportunity to craft a proposal that works for all parties.
Property Taxes

Approximately two-thirds of municipal budgets are funded by property taxes. Local officials have fought to control tax growth, but several recent developments have presented challenges to tax assessors and collectors. Cities and towns need the General Assembly’s support to promote a more fair and predictable property tax system.

- **Property Values Base Year:** In Rhode Island, cities and towns must conduct full revaluations of property or updates every three years, with those values used to calculate local property taxes. In spring 2018, the Rhode Island Supreme Court issued a ruling on a 3-2 vote that opened the door to plaintiffs contesting their values more frequently than every three years. The decision was based upon technical conflicts within existing law but could open the door to numerous costly appeals. The League is working with General Assembly sponsors to affirm the three-year baseline for tax appeals.

- **Property Tax Advisory Board:** The League supports an initiative to create an advisory board to offer advice to the Governor and General Assembly on technical issues relating to the administration of the property tax including the possibility of annual valuation updates, which have recently been initiated in Massachusetts.

- **Property Tax Appeals:** There is frustration among our tax assessors and solicitors on the timeliness and rules governing property tax appeals. While some cities’ and towns’ processes may lead to some delays, the current rules and interest penalties favor plaintiffs who use delaying strategies and undermine the decisions of local tax assessment review panels. The League calls on the Judiciary to initiate a full review of the existing process to determine whether improvements may be made.
Ongoing Issues & Challenges

- **Land Use Decisions:** The General Assembly has recently considered numerous bills to remove local control of land use decisions. Cities and towns – through their elected officials and planning and zoning boards – should have the responsibility of deciding how best to promote growth and economic development while meeting the needs of their residents. The League is also concerned by special property tax exemptions that encourage certain land uses to the advantage of specific enterprises or interest groups. The League generally opposes such preferential treatments as they ultimately shift the tax burden from one group to another.

- **Secondary Agricultural Operations:** The League has strongly opposed legislation to expand protected uses of farmland to include retail operations, festivals and other special events. While such activities can often support the viability of working farms, unfettered use of farmland for entertainment and retail operations degrades the agricultural purpose of these lands and undermines local decision-making.

- **Renewable Energy Siting:** Several stakeholders have called for standardizing the siting requirements for renewable energy development. The League recognizes the importance of renewable energy targets and supports the development of model ordinances and best practices. However, we would oppose any mandated one-size-fits-all approach that denies appropriate input from the local constituency. The League has been part of a stakeholder initiative to encourage responsible solar development that protects sensitive lands and also maintains local control.

- **Infrastructure:** In the 2018 legislative session, the League supported successful legislation to create a municipal infrastructure program similar to MassWorks in Massachusetts. The legislation, supported by GrowSmartRI and the RI Builders Association, created a new competitive grant program, administered by the Department of Administration, to fund projects “in areas or districts that communities have determined are best suited to efficiently accommodate future growth and redevelopment, largely in previously developed areas with some level of existing or planned infrastructure.” However, no funding source was identified in the legislation, and the League will work with stakeholders to provide sufficient resources for this important effort.
Employee & Retiree Benefits

- **Pensions:** Cities and towns have made great strides in addressing their pension liabilities. For those cities and towns participating in the state-run Municipal Employee Retirement System (MERS), the liabilities are now a sum certain. For locally administered plans, virtually all cities and towns have adopted a strategy for increasing contributions and/or modifying benefits over a period of years until the Annual Required Contribution (ARC) is paid. We would welcome the state’s assistance on returning to publishing regular updates of local plan pension liabilities for all our cities and towns and school districts.

- **Retiree Health:** Other Post-Employment Benefits (OPEB), such as retiree health care, are one of the greatest areas of cost growth in cities and towns — representing billions of dollars of future liabilities. Cities and towns need assistance in modifying health plan design for retirees so that the retiree benefit is no greater than that received by active employees. Further, the current situation of preserving legacy health benefits is out of balance and costly to administer. For current retirees, the League believes a combination of Medicare and supplemental municipal support can prudently meet the requirements of previously negotiated agreements. We would welcome the state’s assistance on returning to publishing regular updates of OPEB liabilities for all our cities and towns and school districts.
Financial Successes

- **Moderating Property Taxes:**
  Cities and towns have led the way in budget restraint, supported by sound fiscal management and improved state funding for education. In FY 2019, property taxes across all communities increased only 2.10%. This continues a recent trend of restrained property tax growth – 1.99% growth in FY 2018, 2.18% in FY 2017, 2.10% in FY 2016, and 1.64% in FY 2015. Sustained state aid to municipalities and relief from costly state mandates will allow municipal leaders to continue careful stewardship of their budgets.

- **Improved Financial Position:**
  Despite modest increases in the property tax, cities and towns have progressively improved their financial position. Since 2010, fund balances of our cities and towns have increased by over $215.0 million, which helps municipal bond ratings and reduces the cost of borrowing.

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**Recent Trend of Restrained Property Tax Growth**

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<thead>
<tr>
<th>Fiscal Year</th>
<th>Property Tax Growth</th>
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<tbody>
<tr>
<td>FY 2019</td>
<td>2.10%</td>
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<tr>
<td>FY 2018</td>
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<td>2.10%</td>
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<tr>
<td>FY 2015</td>
<td>1.64%</td>
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