LEGISLATIVE PRIORITIES 2018
Rhode Island League of Cities and Towns

39 WORKING AS ONE

BARRINGTON
BRISTOL
BURRILLVILLE
CENTRAL FALLS
CHARLESTOWN
COVENTRY
CRANSTON
CUMBERLAND
EAST GREENWICH
EAST PROVIDENCE
EXETER
FOSTER
GLOCESTER
HOPKINTON
JAMESTOWN
JOHNSTON
LINCOLN
LITTLE COMPTON
MIDDLETOWN
NARRAGANSETT
NEWPORT
NEW SHOREHAM
NORTH KINGSTOWN
NORTH PROVIDENCE
NORTH SMITHFIELD
PAWTUCKET
PORTSMOUTH
PROVIDENCE
RICHMOND
SCITUATE
SMITHFIELD
SOUTH KINGSTOWN
TIVERTON
WARREN
WARWICK
WESTERLY
WEST GREENWICH
WEST WARWICK
WOONSOCKET

1968–2018
School Construction Funding

A 2017 report for the Rhode Island Department of Education (RIDE) identified $2.2 billion in school facility needs. The Governor’s FY 2019 budget includes new funding, incentives and recommendations to improve the state of our school buildings, often following the guidance of the School Facility Task Force, on which the League was represented.

The Governor recommends issuing $250.0 million in state general obligation bonds for school construction and renovation. If approved by voters, these funds would create a new pay-as-you-go revenue stream to provide state resources at the time of the project, thereby reducing municipal borrowing costs. The League supports additional state resources for school construction and has adopted the following principles for program improvements:

- **Support pay-as-you-go state funding**: The current approach to school construction funding requires a substantial initial investment by cities and towns with a promise of state reimbursement. Pay-as-you-go funding will reduce municipal borrowing and encourage more projects to move forward.

- **Target new funding to the highest-need projects**: The RIDE report found that nearly all school districts have buildings with health and safety concerns. The League encourages new funds to be distributed to the schools in greatest need first.

- **Distribute new funds transparently and equitably to communities**: The Governor and Task Force have proposed various incentives to encourage projects, including a temporary increase in state reimbursement rates for projects that meet certain criteria. The League believes those criteria should be communicated clearly.

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The League supports additional state resources for school construction.
and soon so local governments can understand their likely financial commitment. The League also feels that new funds should be distributed broadly among districts to maximize the number of projects that benefit. 

Avoid costly state mandates and support local decision-making: The Task Force and Governor have recommended new requirements including the use of owners’ project managers and commissioning agents for large projects. The FY 2019 budget also requires RIDE to develop maintenance standards and required spending for school facilities. The League believes that these efforts can save costs in the long-term, though we are concerned that they may become unfunded mandates on cities and towns. We are also concerned about new borrowing costs and fees that may be passed down to cities and towns. Finally, we believe that any new requirements should be contingent upon successful passage of the voter referendum.

State Aid to Schools

The adoption of a fair funding formula eight years ago and the commitment to that formula through three administrations has been a positive development for many of our cities and towns. The League welcomes the Governor’s commitment to fully funding the 8th year of the school funding formula in the FY 2019 budget. The League also looks forward to discussing how to sustain educational funding improvements in the coming years.

We support efforts to ensure full disclosure to our school committees and all city and town officials on any proposed expansion of charter schools and how such expansion will affect state resources available to support our traditional public schools.

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State Aid to Cities & Towns

State aid to cities and towns, including education aid, represents approximately 30% percent of municipal budgets. After the Great Recession led to more than $200 million in state cuts to municipal aid, the state has been gradually increasing its financial commitment to local government. The League supports continued state funding to local government to support essential municipal functions and to reduce the pressure to increase local property taxes.

- **Car Tax**: The League and its members were involved in last year’s efforts to reform the state’s motor vehicle tax. Most importantly, we urged the state to reimburse cities and towns for any lost revenue from tax repeal -- a provision that was included in the FY 2018 budget. We welcome the Governor’s FY 2019 budget proposal to fund the second year of the car tax phase-out. However, in light of projected state deficits in the coming years, we remain concerned about the sustainability of the phase-out program and will continue working with the Administration and General Assembly to support car tax reform.

- **Other state aid**: We support continued state funding for payment in lieu of taxes (PILOT) for tax-exempt property as well as distressed community aid and library aid. The Governor’s FY 2019 budget increases PILOT funding by $900,000 to the state target amount, and maintains current levels of support for library aid and distressed communities.

Municipal Solid Waste Tipping Fees

Cities and towns currently pay a per-ton charge of $39.50/ton to dump their solid waste at the Central Landfill in Johnston. This amount increased from $32 last year by an administrative action of the RI Resource Recovery Corporation (RIRRC). The fee will go to $47 next year – for a total of $4.1 million in new revenue from cities and towns. RIRRC has stated that the additional funds are necessary in part to develop additional capacity at the landfill and extend its useful life.
The Governor’s FY 2019 budget includes a provision that would “scoop” a total of $6.0 million of RIRRC resources to balance the state budget. The League strongly opposes this transfer, as it would essentially use recent municipal tipping fee increases to close a state budget deficit.

Until 2015, the municipal tipping fees had been established in state law. Rates are now set administratively by the RIRRC board based upon the landfill’s cash needs. In light of the Governor’s proposed scoop, the League is concerned that RIRRC will continue to increase municipal fees in future years with little recourse for cities and towns and their taxpayers.

The League believes that the tipping fees should be set in law by elected officials.

Workforce Management

The League strongly opposed legislative efforts in 2017 to enact perpetual contract legislation, which would have tied the hands of municipal leaders in negotiating employment agreements in the best interest of local taxpayers. The League believes that mayors, town managers and council members should have greater flexibility in managing the municipal workforce to encourage innovation, improve efficiency and control cost growth. State law should confirm Constitutional and judicial guidance on local management rights.

Arbitration: Municipal leaders are frustrated that the arbitration process can result in decisions that violate state law or local ordinances. Several communities have successfully appealed arbitration decisions made by out-of-state arbitrators with no knowledge of state or local laws. The League supports legislation requiring that neutral arbitrators be a retired judge, magistrate or member of the state Bar Association. The League also supports legislation limiting the scope of arbitration decision to wages and benefits and requiring that awards be within a community’s ability to pay.
Injured on Duty and Disability:
Current laws governing injured-on-duty (IOD) benefits for municipal public safety employees are costly to cities and towns and are overdue for reform. Rhode Island’s IOD statute (§45-19-1) provides an injured or sick police officer or firefighter 100% of pay and benefits for the duration of his/her incapacity or any reoccurrence of any prior injury or sickness.

If an employee opts to pursue 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 vacancies.

The Governor’s FY 2019 budget would reform the IOD process for state public safety employees but not for municipal employees. The League believes that IOD reforms are long overdue and should extend to municipal employees to prevent abuse of the benefit.

Municipal Employee & Retiree Benefits

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. We support legislative efforts to authorize flexibility in retiree health care plan design while preserving retirement security for municipal retirees.

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. Some municipalities have noted the cost and complexity of administering a local plan and have explored entering the MERS system. The League has supported legislation making it easier for communities to enter the MERS system on a voluntary basis.

Ongoing Issues & Challenges

- **Land Use & Valuation:** 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 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.

1.) **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 oppose any mandated one-size-fits-all approach that denies appropriate input from the local constituency.

2.) **Public Policy on Renewable Energy:** Our neighboring states have focused incentives for renewable energy development on underused land such as closed landfills or on existing structures. The League believes the state and developers should work with communities to determine the most appropriate types of land or buildings suitable for renewable energy production.

3.) **Secondary Agricultural Operations:** The League has 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.
**Building Permit Fees:** At the urging of building trade advocates, the legislature enacted standardized local building fees in 2015. Implementation of the new building permit fee schedule has been in a holding pattern for over two years. The proposed fee schedule was objected to by many cities and towns, as it did not fully cover the cost of building operations in some communities. The League supports legislation to restore the right of city and town councils to set building permit fees with certain limitations — such as requiring that the revenue from fees not exceed the cost of operations.

**Frequency of Property Revaluations:** Under current law, municipal property valuations are updated every three years, with a full revaluation occurring every nine years. A stakeholder group of municipal tax assessors has been working with the Lieutenant Governor’s Office and other parties to craft revisions to the property revaluation cycle. The group is considering an approach of annual updates of values — similar to Massachusetts — with more comprehensive revaluations every five years. The League is open to considering this change but first wants to understand the potential financial and operational impacts on our cities and towns.

**Property Tax Appeals:** Several Rhode Island communities with high-end residential property and/or concentrated commercial property have faced protracted Superior Court challenges to assessed valuation determinations. These legal challenges are expensive and time-consuming to local governments. The League is considering two potential legislative solutions:

1.) **Reduced interest rate on settlements:** The current 12% interest rate encourages plaintiffs to delay the adjudication or settlement of cases as they will be rewarded for their delay. A lower interest rate on settlements would encourage swifter resolution of pending cases.

2.) **Modify the appeal process:** Municipal assessors and solicitors believe that requiring an appraisal by the plaintiff before the local Tax Board of Review will speed the process in Superior Court if there is a Court appeal after the Local Board finding.

**Marijuana:** With Massachusetts legalizing recreational use of marijuana across our border, the League expects the same rights for cities and towns as our neighbors if Rhode Island moves forward with a similar initiative. In Massachusetts, cities and towns have the right to a local use sales tax of 3%, reasonable ordinances relating to regulation of marijuana establishments and the ability by local referendum to ban marijuana sales. Also, with the Governor proposing twelve new compassion centers in Rhode Island, the League believes strongly that local governments should have a say in the location and operations of any new facilities.
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 2018, property taxes across all communities increased 1.99%. This continues a recent trend of restrained property tax growth — 2.18% growth 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.

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- **Improved Financial Position:** Despite only 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 $190.0 million, which helps municipal bond ratings and reduces the cost of borrowing.

*Since 2010, fund balances of our cities and towns have increased by over $190 MILLION*
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2017/2018

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