

Report on the Property Tax Cap

Fiscal Year 2014



Governor Lincoln D. Chafee

Prepared by:

**Department of Revenue
Division of Municipal Finance**

December 2013

This report has been prepared by the Division of Municipal Finance (“Division”) to summarize compliance with the property tax levy cap in its seventh year. The first part of the report provides an overview of the statutory requirements and the second part summarizes aggregate and individual compliance with the cap for FY 2014.

1. Statutory Requirements on the Property Tax Cap

R.I. Gen. Laws §44-5-2 provides for the statutory language governing calculation of the cap and reporting on the tax cap. It specifically states:

“(b) In its fiscal year 2008, a city or town may levy a tax in an amount not more than five and one-quarter percent (5.25%) in excess of the total amount levied and certified by that city or town for its fiscal year 2007. In its fiscal year 2009, a city or town may levy a tax in an amount not more than five percent (5%) in excess of the total amount levied and certified by that city or town for its fiscal year 2008. In its fiscal year 2010, a city or town may levy a tax in an amount not more than four and three-quarters percent (4.75%) in excess of the total amount levied and certified by that city or town in its fiscal year 2009. In its fiscal year 2011, a city or town may levy a tax in an amount not more than four and one-half percent (4.5%) in excess of the total amount levied and certified by that city or town in its fiscal year 2010. In its fiscal year 2012, a city or town may levy a tax in an amount not more than four and one-quarter percent (4.25%) in excess of the total amount levied and certified by that city or town in its fiscal year 2011. In its fiscal year 2013 and in each fiscal year thereafter, a city or town may levy a tax in an amount not more than four percent (4%) in excess of the total amount levied and certified by that city or town for its previous fiscal year.”

“(c) The division of property valuation and municipal finance in the department of revenue shall monitor city and town compliance with this levy cap, issue periodic reports to the general assembly on compliance, and make recommendations on the continuation or modification of the levy cap on or before December 31, 1987, December 31, 1990, and December 31, every third year thereafter. The chief elected official in each city and town shall provide to the division of property valuation and municipal finance within thirty (30) days of final action, in the form required, the adopted tax levy and rate and other pertinent information.”

The Division communicated with all municipalities on the maximum tax levy available to support their FY 2014 budgets. The Division reviewed tax levy proposals and budget disclosure information from each city and town. In accordance with R.I. Gen. Laws §44-35, each city and town is required to disclose its proposed tax rate and levy as well as a summary of its budget proposal in a newspaper of general circulation ten days before the first public hearing on the municipal budget.

2. FY 2014 Property Tax Cap

Table 1 shows the property tax levies for the municipalities for FY 2013 and FY 2014.

CITY/TOWN	FY 2013	FY 2014	Increase	Percent Change
Barrington	\$55,757,749	\$56,127,312	\$369,563	0.66%
Bristol	35,907,363	37,055,367	1,148,004	3.20%
Burrillville *	27,830,582	28,840,267	1,009,685	3.63%
Central Falls	13,674,638	14,221,500	546,862	4.00%
Charlestown *	22,244,817	22,679,022	434,205	1.95%
Coventry *	62,327,613	64,549,068	2,221,455	3.56%
Cranston	181,367,888	181,591,061	223,172	0.12%
Cumberland (1) *	59,560,610	60,472,810	912,200	1.53%
East Greenwich (2)	49,896,853	51,845,789	1,948,936	3.91%
East Providence (3)	101,738,436	103,679,393	1,940,957	1.91%
Exeter *	12,699,098	13,048,989	349,891	2.76%
Foster	11,206,523	11,269,380	62,857	0.56%
Glocester *	20,666,156	20,750,248	84,092	0.41%
Hopkinton *	18,300,511	18,228,200	(72,312)	-0.40%
Jamestown	19,089,398	19,160,796	71,398	0.37%
Johnston	68,325,207	70,191,873	1,866,666	2.73%
Lincoln *	51,933,416	52,492,288	558,871	1.08%
Little Compton	10,153,215	10,329,739	176,524	1.74%
Middletown	42,569,846	43,400,329	830,483	1.95%
Narragansett *	45,045,014	46,060,213	1,015,199	2.25%
Newport	65,177,966	67,451,455	2,273,489	3.49%
New Shoreham	8,400,360	8,723,934	323,574	3.85%
North Kingstown	69,092,073	70,035,857	943,784	1.37%
North Providence	67,468,778	67,737,041	268,263	0.40%
North Smithfield	28,611,366	29,705,309	1,093,943	3.82%
Pawtucket	100,068,109	99,386,793	(681,316)	-0.68%
Portsmouth *	46,892,274	48,021,888	1,129,615	2.41%
Providence	332,768,119	340,814,523	8,046,404	2.42%
Richmond *	16,192,073	16,740,541	548,468	3.39%
Scituate (4)	25,737,325	26,415,039	677,715	2.63%
Smithfield	50,485,821	51,713,919	1,228,098	2.43%
South Kingstown *	66,399,782	67,082,117	682,335	1.03%
Tiverton *	36,705,787	37,519,924	814,137	2.22%
Warren	21,962,605	22,087,247	124,641	0.57%
Warwick	220,300,865	223,763,444	3,462,579	1.57%
Westerly *	64,073,479	65,309,604	1,236,126	1.93%
West Greenwich	17,700,512	17,775,266	74,754	0.42%
West Warwick	54,252,606	56,363,626	2,111,020	3.89%
Woonsocket (5)	57,588,098	59,888,228	2,300,130	3.99%
TOTAL ACTUAL	\$2,260,172,930	\$2,302,529,397	\$42,356,467	1.87%

(1) Cumberland actual amount is an estimate reported by the town. Final levy will be set in May 2014.

(2) East Greenwich fiscal year 2013 & 2014 levies reflect the towns merger with the fire district in June 2013.

(3) East Providence fiscal year is Nov 1 to Oct 31.

The City of East Providence levies its property tax in arrears; while the FY 2014 levy has been adopted the final tax rates will not be known until the spring of 2014.

(4) Scituate fiscal year is April 1 to March 31 (Jun, Sep, Dec, Mar).

(5) Woonsocket fiscal year 2013 includes a supplemental tax.

* Municipality with an independent fire district. Levy for fire districts not included. Please note that the "fire districts" Bonnet Shores (Narragansett), Portsmouth Water & Fire, North Tiverton and Stone Bridge (Tiverton) do NOT provide fire services and the towns where they are located in have a municipal fire department that covers the whole town. The above noted "fire districts", however, provide either water or recreational services in the town where they are located.

Source: Division of Municipal Finance based on Assessors Statement of Assessed Values and Tax Levy (12/31/2011 & 12/31/2012) and State Code Summary.

To summarize the results:

- If all municipalities levied a tax at the permitted 4.00 percent increase it would have resulted in a property tax levy of \$2,350.6 million to support FY 2014 municipal budgets.
- The final enacted statewide property tax levy for FY 2014 was \$2,302.4 million, a 1.87 percent increase over FY 2013. One should note that Cumberland and East Providence levies its taxes in arrears so the Division's numbers represent an estimate which will be finalized in the spring of 2014.
- Please note that the FY 2013 and FY 2014 levies reflect the Town of East Greenwich's merger with the fire district in June 2013.
- The FY 2014 Report on the Property Tax Cap has indicated municipalities with an independent fire districts for the first time. Please note that the "fire districts" Bonnet Shores (Narragansett), Portsmouth Water & Fire, North Tiverton and Stone Bridge (Tiverton) do NOT provide fire services and the towns where they are located in have a municipal fire department that covers the whole town. The above noted "fire districts", however, provide either water or recreational services in the town where they are located.

Exemptions to the Property Tax Cap

The maximum levy statute in R.I. Gen. Laws §44-5-2 also provides for exemptions from the property tax cap as follows:

“(d) The amount levied by a city or town may exceed the percentage increase as specified in subsection (a) or (b) of this section if the city or town qualifies under one or more of the following provisions:

(1) The city or town forecasts or experiences a loss in total non-property tax revenues and the loss is certified by the department of revenue.

(2) The city or town experiences or anticipates an emergency situation, which causes or will cause the levy to exceed the percentage increase as specified in subsection (a) or (b) of this section. In the event of an emergency or an anticipated emergency, the city or town shall notify the auditor general who shall certify the existence or anticipated existence of the emergency. Without limiting the generality of the foregoing, an emergency shall be deemed to exist when the city or town experiences or anticipates health insurance costs, retirement contributions or utility expenditures which exceed the prior fiscal year's health insurance costs, retirement contributions or utility expenditures by a percentage greater than three (3) times the percentage increase as specified in subsection (a) or (b) of this section.

(3) A city or town forecasts or experiences debt services expenditures which exceed the prior year's debt service expenditures by an amount greater than the percentage increase as specified in subsection (a) or (b) of this section and which are the result of bonded debt issued in a manner consistent with general law or a special act. In the event of the debt

service increase, the city or town shall notify the department of revenue which shall certify the debt service increase above the percentage increase as specified in subsection (a) or (b) of this section the prior year's debt service. No action approving or disapproving exceeding a levy cap under the provisions of this section affects the requirement to pay obligations as described in subsection (d) of this section.

(4) The city or town experiences substantial growth in its tax base as the result of major new construction which necessitates either significant infrastructure or school housing expenditures by the city or town or a significant increase in the need for essential municipal services and such increase in expenditures or demand for services is certified by the department of revenue.”

“(e) Any levy pursuant to subsection (d) of this section in excess of the percentage increase specified in subsection (a) or (b) of this section shall be approved by the affirmative vote of at least four-fifths (4/5) of the full membership of the governing body of the city or town or in the case of a city or town having a financial town meeting, the majority of the electors present and voting at the town financial meeting shall also approve the excess levy.”

“(f) Nothing contained in this section constrains the payment of present or future obligations as prescribed by section 45-12-1, and all taxable property in each city or town is subject to taxation without limitation as to rate or amount to pay general obligation bonds or notes of the city or town except as otherwise specifically provided by law or charter.”

There were no exemptions requested by the communities and approved by the Division in FY 2014. The Division is responsible for approving a loss in total non-property tax revenues under R.I. Gen. Laws §44-5-2(d)(1), if a city or town forecasts or experiences debt services expenditures which exceed the prior year's debt service expenditures by an amount greater than the percentage increase of 4%, which is the result of bonded debt issued in a manner consistent with general law or a special act under R.I. Gen. Laws §44-5-2(d)(3) and “substantial growth” exemptions under R.I. Gen. Laws §44-5-2(d)(4).

One should note that the Office of the Auditor General is responsible for reviewing and approving exemptions relating to emergencies under R.I. Gen. Laws §44-5-2(d)(2). For FY 2014 no emergency exemptions were requested by the communities.

**Table 2
FY 2014 Property Tax Cap**

Municipality	4th Quartile	Municipality	3rd Quartile
Bristol	3.20%	Tiverton *	2.22%
Richmond *	3.39%	Narragansett *	2.25%
Newport	3.49%	Portsmouth *	2.41%
Coventry *	3.56%	Providence	2.42%
Burrillville *	3.63%	Smithfield	2.43%
North Smithfield	3.82%	Scituate (4)	2.63%
New Shoreham	3.85%	Johnston	2.73%
West Warwick	3.89%	Exeter *	2.76%
East Greenwich (2)	3.91%		
Woonsocket (5)	3.99%		
Central Falls	4.00%		

Municipality	2nd Quartile	Municipality	1st Quartile
South Kingstown *	1.03%	Pawtucket	-0.68%
Lincoln *	1.08%	Hopkinton *	-0.40%
North Kingstown	1.37%	Cranston	0.12%
Cumberland (1) *	1.53%	Jamestown	0.37%
Warwick	1.57%	North Providence	0.40%
Little Compton	1.74%	Glocester *	0.41%
East Providence (3)	1.91%	West Greenwich	0.42%
Westerly *	1.93%	Foster	0.56%
Middletown	1.95%	Warren	0.57%
Charlestown *	1.95%	Barrington	0.66%

(1) Cumberland actual amount is an estimate reported by the town. Final levy will be set in May 2014.

(2) East Greenwich fiscal year 2013 & 2014 levies reflect the towns merger with the fire district in June 2013.

(3) East Providence fiscal year is Nov 1 to Oct 31.

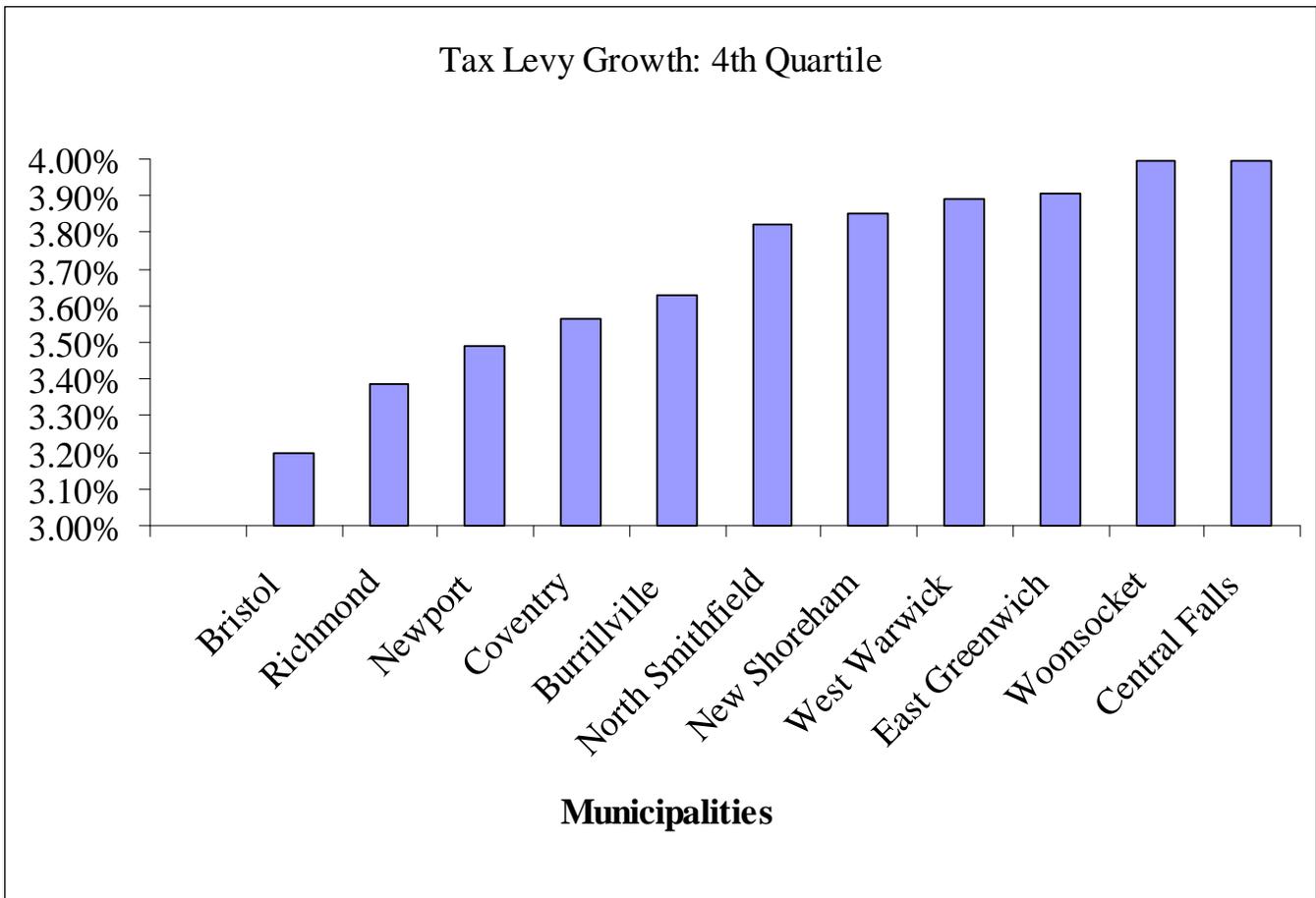
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(5) Woonsocket fiscal year 2013 includes a supplemental tax.

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As Table 2 above shows, one municipality (Central Falls) enacted a tax levy at the 4.00 percent cap, while the remaining 38 municipalities were below the cap. Hopkinton and Pawtucket had an overall decrease in their tax levy from FY 2013 to FY 2014. Also, East Greenwich merged with the local fire district and Woonsocket's levy for FY 2013 includes a supplemental tax in FY 2013.

**Table 3
FY 2014 Property Tax Cap**

Urban Municipalities

Pawtucket	-0.68%
Providence	2.42%
Newport	3.49%
Woonsocket (5)	3.99%
Central Falls	4.00%

Urban Ring Municipalities

Cranston	0.12%
North Providence	0.40%
Warwick	1.57%
East Providence (3)	1.91%
West Warwick	3.89%

Suburban Municipalities

Jamestown	0.37%
Warren	0.57%
Barrington	0.66%
Lincoln *	1.08%
North Kingstown	1.37%
Cumberland (1) *	1.53%
Westerly *	1.93%
Middletown	1.95%
Narragansett *	2.25%
Portsmouth *	2.41%
Smithfield	2.43%
Johnston	2.73%
Bristol	3.20%
East Greenwich (2)	3.91%

Rural Municipalities

Hopkinton *	-0.40%
Glocester *	0.41%
West Greenwich	0.42%
Foster	0.56%
South Kingstown *	1.03%
Little Compton	1.74%
Charlestown *	1.95%
Tiverton *	2.22%
Scituate (4)	2.63%
Exeter *	2.76%
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Coventry *	3.56%
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