Formula Aid to Cities and Towns

The **Payment-in-Lieu-of-Taxes (PILOT)** program reimburses communities for up to 27.0 percent of what they would have collected in property taxes from certain designated tax exempt property (subject to appropriation). The FY 2016 revised budget is funded at $40.1 million and the FY 2017 proposed budget at $42.0 million which fully funds the aid program at 27.00% in FY 2017. Data used to determine distribution amounts is updated annually to reflect the most recent data.

The **Distressed Communities Relief Fund** provides state assistance to municipalities with the highest property tax burdens relative to the wealth of taxpayers. Municipalities are eligible that meet the statutorily determined distressed test in three of four categories. The program is level funded at $10.4 million in FY 2016 revised and FY 2017 proposed. The City of Cranston is qualifying for the Distressed Communities Relief Fund in FY 2017. In a year that a municipality newly enters the aid program, it receives 50 percent of current law requirements the first year it qualifies. The City of East Providence is falling out of program for FY 2017. When any community falls out of the Distressed Communities Relief Fund, it shall receive a one-time payment of 50 percent of the prior year requirement exclusive of any reduction for first year qualification.

Municipal Incentive Aid provided a new category of state assistance with the purpose of encouraging municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities. For FY 2015 and each fiscal year thereafter that municipal incentive aid is distributed to eligible municipalities under chapter 45-13.2 of the Rhode Island General Laws, municipalities would be eligible to receive aid if: (1) the municipality has no locally-administered pension plan(s); or (2) transitioned all locally-administered pension plans into MERS by June 30, 2014; or (3) the municipality notified plan participants, beneficiaries and others pursuant to RIGL §45-65 and had submitted to the Department of Revenue a Funding Improvement Plan ("FIP") pursuant to chapter 45-65, for every locally-administered pension plan and each submitted FIP meets the guidelines of the Study Commission on Locally-Administered Pension plans created pursuant to section 45-65-8 or otherwise applicable guidelines or regulations and each FIP has been approved by the plan sponsor and the governing body; or (4) the municipality has implemented the original recommended FIP or an amended FIP pursuant to chapter 45-65 within one month after the close of the fiscal year and made the required funding payment (formerly referred to as Annually Required Contribution, in compliance with the municipality's adopted FIP(s) and the funding guidelines established by the Pension Study Commission and the FIPs are approved by the plan sponsor and the local governing body; or (5) there exists a locally-administered pension plan(s) in the municipality, but either (i) no FIP was required per RIGL 45-65 and either: (A) the municipality is funding 100 percent of its required funding payment; or (B) the municipality has a funded ratio of 100 percent or greater; or (ii) a FIP is required, but the due date for submission of the FIP is after the March payment of incentive aid. The aid is provided at $5.0 million for FY 2015 and FY 2016.

The FY 2017 proposed budget continues to provide funding for the **Property Valuation Statistical Update Program**, which reimburses cities and towns for legislatively mandated property valuation statistical updates on a per parcel basis. Funding for FY 2016 revised is estimated at $1.4 million. The proposed FY 2017 funding is $559,901 for the estimated actual cost of reimbursement. Funding for FY 2017 will be updated as communities contract for statistical update services.

Funding for **Aid to Local Libraries** is at $8.8 million in FY 2016 and FY 2017. In addition, funding for library construction aid is provided at $2.7 million in FY 2016 and $2.2 million in FY 2017 to finance anticipated debt service or construction reimbursement obligations under this program.

The 1998 General Assembly enacted the **Motor Vehicle Excise Tax Phase-Out** legislation to phase out the excise tax on motor vehicles and trailers over an original seven year period. There have been various legislative changes to the legislation since its inception. For FY 2011 and thereafter, the General Assembly enacted legislation that mandates a $500 exemption for which the State will reimburse municipalities an amount subject to appropriation. The legislation further allows municipalities to provide an additional exemption; however, that additional exemption will not be subject to reimbursement. The Assembly removed the provision that restricted municipalities from taxing the difference in the event that the value of a vehicle is higher than the prior fiscal year. It also allowed for rates and ratios of assessment to be lowered from the current frozen levels. Total funding in the FY 2016 revised and FY 2017 proposed budgets to support this program is $10.0 million. Data used to determine distribution amounts for FY 2017 proposed budget is an estimate based on FY 2016 data and will change once finalized December 31, 2015 motor vehicle tax rolls are received and processed in the fall of 2016.

The **Public Service Corporation Tax** is for certain tangible personal property of telegraph, cable and telecommunications corporations and express corporations that is exempt from local taxation, and instead is subject to taxation by the State. The revenue from this tax flows through the State (it is not appropriated by the State). The revenues (apart from some administrative expenses) are apportioned to the cities and towns based on the ratio of each municipality's population relative to the total population of the State. The disbursements for FY 2017 proposed total $13.0 million which is an estimate based on the FY 2016 distribution and will be updated in the spring of 2017 once finalized tax returns are received and processed. Data used to determine distribution amounts is updated annually to reflect the most recent data.

The 1986 General Assembly enacted the **Hotel Local Tax**, a five percent hotel tax upon the total consideration charged for occupancy of any space furnished by any hotel of the state. Twenty-five percent of the revenues generated from the 5.0 percent state hotel tax are distributed to the municipalities where the individual hotels are located. Furthermore, the 2004 General Assembly enacted a one percent gross receipts tax on the total consideration charged for occupancy of any space furnished by a hotel of the state. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the hotel was located. For FY 2016 revised, a combined amount is provided at $9.7 million. For the FY 2017 proposed budget, the amount is estimated to be $9.9 million and includes the Governor's recommended lodging tax initiatives.

The 2003 General Assembly enacted the **Local Meals and Beverage Tax**, a one percent additional tax on gross receipts from the sale of food and beverages sold in or on eating and drinking establishments. The tax is collected by the Division of Taxation and then distributed back to the city or town in which the meals and beverages were delivered. Distributions under this tax are projected to total $25.2 million in FY 2016 revised and $26.0 million in FY 2017 proposed .