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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2006

A N A C T

RELATING TO TAXATION -- PROPERTY TAXES

Introduced By: Senators Paiva-Weed, J Montalbano, Alves, Lenihan, and Felag

Date Introduced: April 27, 2006

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-5-2 of the General Laws in Chapter 44-5 entitled "Levy and
2 Assessment of Local Taxes" is hereby amended to read as follows:

3 **44-5-2. Maximum levy.** -- (a) A Through and including its fiscal year 2007, a city and or
4 town may levy a tax in an amount not more than five and one-half percent (5.5%) in excess of the
5 amount levied and certified by that city or town for the prior year. ~~The amount levied by a city or~~
6 ~~town is deemed to be consistent with the five and one-half percent (5.5%) levy growth cap if the~~
7 ~~tax rate is not more than one hundred and five and one-half percent (105.5%) of the prior year's~~
8 ~~tax rate and the budget resolution or ordinance, as applicable, specifies that the tax rate is not~~
9 ~~increasing by more than five and one-half percent (5.5%) except as specified in subsection (c) of~~
10 ~~this section. In all years when a revaluation or update is not being implemented, a tax rate is~~
11 ~~deemed to be one hundred five and one-half percent (105.5%) or less of the prior year's tax rate if~~
12 ~~the tax on a parcel of real property, the value of which is unchanged for purpose of taxation, is no~~
13 ~~more than one hundred five and one-half percent (105.5%) of the prior year's tax on the same~~
14 ~~parcel of real property. In any year when a revaluation or update is being implemented, the tax~~
15 ~~rate is deemed to be one hundred five and one-half percent (105.5%) of the prior year's tax rate as~~
16 ~~certified by the division of local government assistance in the department of administration. In its~~
17 fiscal year 2008, a city or town may levy a tax in an amount not more than five and one-quarter
18 percent (5.25%) in excess of the total amount levied and certified by that city or town for its fiscal
19 year 2007. In its fiscal year 2009, a city or town may levy a tax in an amount not more than five

1 percent (5%) in excess of the total amount levied and certified by that city or town for its fiscal
2 year 2008. In its fiscal year 2010, a city or town may levy a tax in an amount not more than four
3 and three-quarters percent (4.75%) in excess of the total amount levied and certified by that city
4 or town in its fiscal year 2009. In its fiscal year 2011, a city or town may levy a tax in an amount
5 not more than four and one-half percent (4.5%) in excess of the total amount levied and certified
6 by that city or town in its fiscal year 2010. In its fiscal year 2012, a city or town may levy a tax in
7 an amount not more than four and one-quarter percent (4.25%) in excess of the total amount
8 levied and certified by that city or town in its fiscal year 2011. In its fiscal year 2013 and in each
9 fiscal year thereafter, a city or town may levy a tax in an amount not more than four percent (4%)
10 in excess of the total amount levied and certified by that city or town for its previous fiscal year.

11 (b) The office of municipal affairs in the department of administration shall monitor city
12 and town compliance with this levy cap, issue periodic reports to the general assembly on
13 compliance, and make recommendations on the continuation or modification of the levy cap on or
14 before December 31, 1987, December 31, 1990, and December 31, every third year thereafter.
15 The chief elected official in each city and town shall provide to the office of municipal affairs
16 within thirty (30) days of final action, in the form required, the adopted tax levy and rate and
17 other pertinent information.

18 (c) The amount levied by a city or town may exceed the ~~five and one-half percent (5.5%)~~
19 percentage increase as specified in subsection (a) of this section if the city or town qualifies under
20 one or more of the following provisions:

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

23 (2) The city or town experiences or anticipates an emergency situation, which causes or
24 will cause the levy to exceed ~~five and one-half percent (5.5%)~~ the percentage increase as
25 specified in subsection (a) of this section. In the event of an emergency or an anticipated
26 emergency, the city or town shall notify the auditor general who shall certify the existence or
27 anticipated existence of the emergency. Without limiting the generality of the foregoing, an
28 emergency shall be deemed to exist when the city or town experiences or anticipates health
29 insurance costs, retirement contributions or utility expenditures which exceed the prior fiscal
30 year's health insurance costs, retirement contributions or utility expenditures by a percentage
31 greater than two (2) times the percentage increase as specified in subsection (a) of this section.

32 (3) A city or town forecasts or experiences debt services expenditures which ~~are more~~
33 ~~than one hundred five and one-half percent (105.5%) of~~ exceed the prior year's debt service
34 expenditures by an amount greater than the percentage increase as specified in subsection (a) of

1 [this section](#) and which are the result of bonded debt issued in a manner consistent with general
2 law or a special act. In the event of the debt service increase, the city or town shall notify the
3 department of administration which shall certify the debt service increase above ~~one hundred five~~
4 ~~and one half percent (105.5%) of~~ [the percentage increase as specified in subsection \(a\) of this](#)
5 [section](#) the prior year's debt service. No action approving or disapproving exceeding a levy cap
6 under the provisions of this section affects the requirement to pay obligations as described in
7 subsection (d) of this section.

8 (4) Any levy pursuant to subsection (c) of this section in excess of the ~~five and one half~~
9 ~~percent (5.5%)~~ [percentage increase specified in subsection \(a\) of this section](#) shall be approved by
10 a majority vote of the governing body of the city or town or in the case of a city or town having a
11 financial town meeting, the majority of the electors present and voting at the town financial
12 meeting shall approve the excess levy.

13 [\(5\) In addition to the approval required by subdivision \(c\)\(4\) of this subsection, any levy](#)
14 [pursuant to subsection \(c\) of this section in any city or town's fiscal year subsequent to fiscal year](#)
15 [2007 in excess of the percentage increase specified in subsection \(a\) of this section shall also be](#)
16 [subject to approval by the electors of that city or town at a municipal budget referendum election](#)
17 [conducted in accordance with the provisions of section 45-3-25 of the general laws. Any such](#)
18 [municipal budget referendum election shall be conducted not less than fifteen \(15\) days nor more](#)
19 [than thirty \(30\) days after certification of the approval required by subdivision \(c\)\(4\) of this](#)
20 [subsection.](#)

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

25 SECTION 2. Sections 44-35-3 and 44-35-6 of the General Laws in Chapter 44-35
26 entitled "Property Tax and Fiscal Disclosure - Municipal Budgets" are hereby amended to read as
27 follows:

28 **44-35-3. Definitions.** -- (a) "Adjusted current property tax rate" means the estimated
29 property tax rate that would be necessary in the next fiscal year to raise ~~one hundred and five and~~
30 ~~one half percent (105.5%) of the property tax revenues in the next fiscal year that were levied in~~
31 ~~the town's or city's current fiscal year.~~ [the maximum levy authorized by section 44-5-2 of the](#)
32 [general laws.](#)

33 (b) "Chief elected official" means the highest locally elected official in each town or city.

34 (c) "Proposed property tax rate" means the estimated property tax rate that is proposed

1 by a town or city to support its operating budget for the town's or city's next fiscal year.

2 **44-35-6. Publication of property tax rates.** -- At least ten (10) calendar days prior to the
3 hearing for the purpose of adopting the town or city budget, the chief elected official in each town
4 or city shall cause to be published a notice indicating the town's or city's intent to consider
5 adopting a property tax levy. This notice shall be published in a newspaper of general circulation
6 in the town or city. However, this notice may not be placed in that portion of the newspaper
7 where legal notices and classified advertisements appear. This notice shall constitute notice of
8 public hearing which may coincide with the hearing on the proposed budget and shall be by and
9 in the following form:

10 (CITY, TOWN) of (NAME)
11 NOTICE OF PROPOSED PROPERTY TAX
12 RATE CHANGE

13 The (City, Town) proposes to increase (decrease) its property tax levy to _____ in
14 the _____ budget year; the property tax levy this year is _____, THIS IS A
15 PROPOSED INCREASE (DECREASE) OF _____%.

16 It has been estimated that the proposed increase (decrease) in property tax revenues will
17 result in a property tax rate of \$_____ (proposed property tax rate) per \$1,000 assessed
18 valuation, as compared to the current property tax rate of \$_____ per \$1,000 assessed
19 valuation.

20 A property tax rate of \$_____ (adjusted current property tax rate) would be needed in
21 the coming budget year to raise ~~five and one half percent (5.5%) more, as an adjustment for~~
22 ~~increased costs, than the property tax revenues being raised in the current budget year.~~ [the](#)
23 [maximum levy authorized by section 44-5-2 of the general laws.](#)

24 The (City, Town) budget _____ will be considered at (date, time, place).

25 The above property tax estimates have been computed in a manner approved by the
26 Rhode Island Department of Administration.

27 Chief Elected Official

28 SECTION 3. Section 44-45-2 of the General Laws in Chapter 44-45 entitled "Omnibus
29 Property Tax Relief and Replacement Act" is hereby amended to read as follows:

30 **44-45-2. Legislative findings.** -- The general assembly finds and declares that the
31 following conditions confront Rhode Island at this time:

32 (1) In 1982, the governor's advisory commission to study the financial operations of state
33 and local governments found that "when the state and local tax system is viewed in its totality, it
34 becomes clear that property tax relief and replacement is needed".

1 (2) Rhode Island has a serious over reliance on the property tax, as evidenced by the
2 facts that:

3 (i) Rhode Islanders paid forty-nine dollars and ninety-two cents (\$49.92) per capita in
4 property tax collections in fiscal year 1983, compared to a U.S. average of thirty-four dollars and
5 seventy-one cents (\$34.71), ranking this state sixth highest in the nation;

6 (ii) Per one thousand dollars (\$1,000) of personal income, property tax collections in
7 Rhode Island equaled five hundred and thirty-seven dollars (\$537) that year, compared to a three
8 hundred and eighty-one dollar (\$381) U.S. average, placing the state ninth highest nationally; and

9 (iii) Rhode Island's cities and towns derived fifty-eight and nine-tenths percent (58.9%)
10 of their own-source local general revenue from the property tax in fiscal year 1983, compared to
11 an average of only twenty-eight and eight-tenths percent (28.8%) for all the states.

12 (3) In 1983-84, Rhode Island ranked only forty-third nationally in terms of state support
13 for public elementary and secondary school, providing only thirty-six percent (36%) of these
14 revenues.

15 (4) The state educational operations aid formula should be gradually increased until the
16 state and municipalities equally share the cost of providing local education.

17 (5) The state should also share a greater portion of its economically sensitive growth
18 taxes with its cities and towns in order to further shift the burden of funding essential municipal
19 services from the property tax.

20 (6) The growth in property tax levies should be capped ~~to five and one half percent~~
21 ~~(5.5%) annual growth as a quid pro quo for receiving increased state aid to reduce reliance on the~~
22 ~~property tax.~~ in accordance with section 44-5-2 of the general laws.

23 (7) Cities and towns should be assisted in their efforts to control school and municipal
24 expenditures by appropriately amending state arbitration and school budgeting laws.

25 SECTION 4. Chapter 45-2 of the General Laws entitled "General Powers" is hereby
26 amended by adding thereto the following section:

27 **45-2-3.2. Availability of funds upon failure of city or town to approve annual**
28 **appropriation.** – Unless otherwise provided by a city or town charter, in an emergency caused
29 by a failure of a city or town to approve an annual appropriation measure, the same amounts
30 appropriated in the previous fiscal year shall be available for each department and division
31 thereof, subject to monthly or quarterly allotments, in accordance with seasonal requirements, as
32 determined by the city or town's chief financial officer: provided, that expenditures for payment
33 of bonded indebtedness of the city or town and interest thereon shall be in such amounts as may
34 be required, regardless of whether or not an annual appropriation ordinance is enacted by the city

1 [or town council.](#)

2 SECTION 5. Sections 35-3-7 and 35-3-20.1 of the General Laws in Chapter 35-3 entitled
3 "State Budget" are hereby amended to read as follows:

4 **35-3-7. Submission of budget to general assembly -- Contents.** -- (a) On or before the
5 third Thursday in January in each year of each January session of the general assembly, the
6 governor shall submit to the general assembly a budget containing a complete plan of estimated
7 revenues and proposed expenditures, with a personnel supplement detailing the number and titles
8 of positions of each agency and the estimates of personnel costs for the next fiscal year. Provided,
9 however, in those years that a new governor is inaugurated, the new governor shall submit the
10 budget on or before the first Thursday in February. In the budget the governor may set forth in
11 summary and detail:

12 (1) Estimates of the receipts of the state during the ensuing fiscal year under laws
13 existing at the time the budget is transmitted and also under the revenue proposals, if any,
14 contained in the budget, and comparisons with the estimated receipts of the state during the
15 current fiscal year, as well as actual receipts of the state for the last two (2) completed fiscal
16 years.

17 (2) Estimates of the expenditures and appropriations necessary in the governor's
18 judgment for the support of the state government for the ensuing fiscal year, and comparisons
19 with appropriations for expenditures during the current fiscal year, as well as actual expenditures
20 of the state for the last two (2) complete fiscal years.

21 (3) Financial statements of the
22 (i) Condition of the treasury at the end of the last completed fiscal year;
23 (ii) The estimated condition of the treasury at the end of the current fiscal year; and
24 (iii) Estimated condition of the treasury at the end of the ensuing fiscal year if the
25 financial proposals contained in the budget are adopted.

26 (4) All essential facts regarding the bonded and other indebtedness of the state.

27 (5) A report indicating those program revenues and expenditures whose funding source
28 is proposed to be changed from state appropriations to restricted receipts, or from restricted
29 receipts to other funding sources.

30 (6) Such other financial statements and data as in the governor's opinion are necessary or
31 desirable.

32 (b) Any other provision of the general laws to the contrary notwithstanding; ~~the~~
33 ~~proposed appropriations submitted by the governor to the general assembly for the next ensuing~~
34 ~~fiscal year should not be more than five and one half percent (5.5%) in excess of total state~~

~~1 appropriations, excluding any estimated supplemental appropriations, enacted by the general
2 assembly for the fiscal year previous to that for which the proposed appropriations are being
3 submitted; provided, that the increased state share provisions required to achieve fifty percent
4 (50%) state financing of local school operations as provided for in P.L. 1985, ch. 182, shall be
5 excluded from the definition of total appropriations.~~

6 (1) the budget proposed by the governor for fiscal year 2008 shall not propose the
7 appropriation of general revenue expenditures in excess of one hundred five and one-quarter
8 percent (105.25%) of the total general revenue appropriations, excluding any estimated
9 supplemental appropriations, enacted by the general assembly for fiscal year 2007;

10 (2) the budget proposed by the governor for fiscal year 2009 shall not propose the
11 appropriation of general revenue expenditures in excess of one hundred five percent (105%) of
12 the total general revenue appropriations, excluding any estimated supplemental appropriations,
13 enacted by the general assembly for fiscal year 2008;

14 (3) the budget proposed by the governor for fiscal year 2010 shall not propose the
15 appropriation of general revenue expenditures in excess of one hundred four and three-quarters
16 percent (104.75%) of the total general revenue appropriations, excluding any estimated
17 supplemental appropriations, enacted by the general assembly for fiscal year 2009;

18 (4) the budget proposed by the governor for fiscal year 2011 shall not propose the
19 appropriation of general revenue expenditures in excess of one hundred four and one-half percent
20 (104.5%) of the total general revenue appropriations, excluding any estimated supplemental
21 appropriations, enacted by the general assembly for fiscal year 2010;

22 (5) the budget proposed by the governor for fiscal year 2012 shall not propose the
23 appropriation of general revenue expenditures in excess of one hundred four and one-quarter
24 percent (104.25%) of the total general revenue appropriations, excluding any estimated
25 supplemental appropriations, enacted by the general assembly for fiscal year 2011; and

26 (6) the budget proposed by the governor for fiscal year 2013 and for each fiscal year
27 thereafter shall not propose the expenditure of general revenue expenditures in excess of one
28 hundred four percent (104%) of the total general revenue appropriations, excluding any estimated
29 supplemental appropriations, enacted by the general assembly for the previous fiscal year.

~~30 (c) Notwithstanding the provisions of subsection 35-3-7(a), the governor shall submit to
31 the general assembly a budget for the fiscal year ending June 30, 2006 not later than the fourth
32 (4th) Thursday in January 2005.~~

33 35-3-20.1. Limitation on state spending. – Limitations on state spending. -- (a) No
34 appropriation, supplemental appropriation, or budget act shall cause the aggregate state general

1 revenue appropriations enacted for the fiscal year to exceed ninety-eight percent (98%) of the
2 estimated state general revenues for the fiscal year from all sources, including estimated
3 unencumbered general revenues not continued or reappropriated to the new fiscal year remaining
4 at the end of the previous fiscal year. Estimated unencumbered general revenues are calculated by
5 taking the estimated general revenue cash balance at the end of the fiscal year less estimated
6 revenue anticipation bonds or notes, estimated general revenue encumbrances, estimated
7 continuing general revenue appropriations, and the amount of the budget reserve and cash
8 stabilization account at the end of the fiscal year. The amount of the general revenue estimate and
9 estimated unencumbered general revenue remaining shall be determined by the state controller
10 and approved by the auditor general in conformance with accounting procedures currently in use.
11 The excess of any unencumbered general revenue shall be determined by subtracting from the
12 actual unencumbered general revenues at the end of any fiscal year an amount which together
13 with the latest estimated general revenues is necessary to fund the ensuing fiscal year's general
14 revenue budget, including the required estimated general revenue supplemental and annual
15 appropriations.

16 (b) The amount between the applicable percentage in subsection (a) and one hundred
17 percent (100%) of the estimated state general fund revenue for any fiscal year as estimated in
18 accordance with subsection (a) shall be appropriated in any given fiscal year into the budget
19 reserve and cash stabilization account; provided, that no payment will be made which would
20 increase the total of the budget reserve and cash stabilization account to more than three percent
21 (3%) of only the estimated state general fund revenues as set by subsection (a). In the event that
22 the payment to be made into the budget reserve and cash stabilization account would increase the
23 amount in the account to more than three percent (3%) of estimated state general revenues, the
24 amount shall be transferred to the state bond capital fund, to be used solely for the purposes of
25 reduction of state indebtedness, payment of debt service, and/or funding of capital projects.
26 However, there shall be no expenditures of money under this section without passage of a specific
27 appropriation by the general assembly.

28 (c) Within forty-five (45) days after the close of any fiscal year, all unencumbered
29 general revenue in the year end surplus account from the fiscal year shall be transferred to the
30 general fund.

31 (d) No appropriation, supplemental appropriation, or budget act shall cause the aggregate
32 state general revenue appropriations enacted for any fiscal year to exceed the percentile increase
33 over the aggregate state general revenues appropriated for the previous fiscal year by more than
34 the percentile increase specified in section 35-3-7 of this title, except by the affirmative vote of

1 [three-fifths \(3/5\) of the full membership of each house of the general assembly.](#)

2 SECTION 6. This act shall take effect upon passage.

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EXPLANATION
OF
A N A C T
RELATING TO TAXATION – PROPERTY TAXES

1 This act would reduce the percentage increase a city or town may increase property taxes
2 over the previous year from five and one half percent (5.5%) to five and one quarter percent
3 (5.25%) in 2008 and to four percent (4%) in 2013.

4 This act would take effect upon passage.

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