

Items Submitted by Reference to the Minutes of the April 4, 2011 Town Council Public Hearing

- A. RIGL 44-5-2; 2006 – S 3050 Substitute A as amended
  - B. Rhode Island Department of Administration, *Maximum Levy, Standards and Procedures for Property Tax Levy Cap for Rhode Island Cities and Towns*, May 2007
  - C. Rhode Island Department of Revenue, *Checklist for Request to Exceed Property Tax Cap*
  - D. State of Rhode Island, Office of the Auditor General, *Maximum Levy, Standards and Procedures for Certification of an Emergency Situation*, Amended June 2007
  - E. Rhode Island Department of Revenue, *Disclosure and Property Tax Cap Seminar*, September 19, 2008
  - F. Rhode Island Division of Municipal Finance – Department of Revenue, *Report on the Property Tax Cap, Fiscal Year 2009*, December 31, 2008
  - G. Rhode Island Department of Revenue, letter to Tiverton Town Administrator, May 1, 2008
  - H. State of Rhode Island, Governor Donald L. Carcieri, *Governor Carcieri Signs Property Tax Relief Legislation Into Law*, July 13, 2006
  - I. Newport Daily News, *Property-Tax Cap a Victory for Weed*, August 8, 2006
  - J. Town of Coventry, RI, Task Force to Study Impact of S050, *Rhode Island Senate 3050, What is It and How Does it Affect Coventry?*, December 19, 2006
  - K. Rhode Island Public Expenditure Council, Special Publication, *How Rhode Island State and Local Tax Burdens Compare, What Approach Should Be Used to Measure Tax Burdens?*, July 2006
  - L. State of Connecticut, Office of Legislative Research, *Research Report, Rhode Island Property Tax Cap*, September 5, 2006
  - M. Standard & Poors, *Public Finance, Smithfield, Rhode Island Credit Profile*, January 11, 2011
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# TITLE 44

## Taxation

### CHAPTER 44-5

#### Levy and Assessment of Local Taxes

##### SECTION 44-5-2

**§ 44-5-2 Maximum levy.** – (a) Through and including its fiscal year 2007, a city or town may levy a tax in an amount not more than five and one-half percent (5.5%) in excess of the amount levied and certified by that city or town for the prior year. Through and including its fiscal year 2007, but in no fiscal year thereafter, the amount levied by a city or town is deemed to be consistent with the five and one-half percent (5.5%) levy growth cap if the tax rate is not more than one hundred and five and one-half percent (105.5%) of the prior year's tax rate and the budget resolution or ordinance, as applicable, specifies that the tax rate is not increasing by more than five and one-half percent (5.5%) except as specified in subsection (c) of this section. In all years when a revaluation or update is not being implemented, a tax rate is deemed to be one hundred five and one-half percent (105.5%) or less of the prior year's tax rate if the tax on a parcel of real property, the value of which is unchanged for purpose of taxation, is no more than one hundred five and one-half percent (105.5%) of the prior year's tax on the same parcel of real property. In any year through and including fiscal year 2007 when a revaluation or update is being implemented, the tax rate is deemed to be one hundred five and one-half percent (105.5%) of the prior year's tax rate as certified by the division of property valuation and municipal finance in the department of revenue.

(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 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 and municipal finance within thirty (30) days of final action, in the form required, the adopted tax levy and rate and other pertinent information.

(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 § 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.

**History of Section.**

(P.L. 1985, ch. 182, § 8; P.L. 1986, ch. 5, § 1; P.L. 1986, ch. 13, § 1; P.L. 1987, ch. 118, art. 7, § 6; P.L. 1989, ch. 126, art. 46, § 1; P.L. 2001, ch. 159, § 1; P.L. 2006, ch. 246, art. 38, § 12; P.L. 2006, ch. 253, § 1; P.L. 2008, ch. 98, § 37; P.L. 2008, ch. 145, § 37; P.L. 2010, ch. 239, § 35.)

Senate Bill No. 3049

Chapter 342

BY Felag

ENTITLED, AN ACT RELATING TO TAXATION -- EXCISE ON MOTOR VEHICLES AND TRAILERS

(would allow the town of Warren to exempt from the state excise tax, in an amount not to exceed one hundred dollars, vehicles primarily fueled by certain alternative fuels)

{LC3110/1}

04/27/2006 Introduced, referred to Senate Finance  
05/23/2006 Scheduled for hearing and/or consideration  
05/23/2006 Committee recommends passage  
05/30/2006 Placed on Senate Calendar  
06/15/2006 Senate read and passed  
06/15/2006 Referred to House Finance  
06/21/2006 Scheduled for hearing and/or consideration  
06/21/2006 Committee recommends passage in concurrence  
06/24/2006 House passed in concurrence  
06/29/2006 Transmitted to Governor  
07/07/2006 Effective without Governor's signature

Senate Bill No. 3050 SUB A as amended

Chapter 253

BY Paiva-Weed, Montalbano J, Alves, Lenihan, Felag

ENTITLED, AN ACT RELATING TO TAXATION -- PROPERTY TAXES

(reduce the percentage increase a city or town may increase property taxes over the previous year from 5.5% to 5.25% in 2008 and to 4% in 2013)

{LC3048/3/A}

04/27/2006 Introduced, referred to Senate Finance  
06/06/2006 Scheduled for hearing and/or consideration  
06/06/2006 Continued  
06/08/2006 Scheduled for hearing and/or consideration  
06/13/2006 Scheduled for hearing and/or consideration  
06/13/2006 Committee recommends passage of Sub A as amended  
06/14/2006 Placed on Senate Calendar  
06/20/2006 Senate passed Sub A as amended (floor amendment)  
06/20/2006 Referred to House Finance  
06/23/2006 Scheduled for hearing and/or consideration  
06/23/2006 Committee recommends passage of Sub A as amended in concurrence  
06/23/2006 Placed on House Calendar  
06/24/2006 House passed Sub A as amended in concurrence  
06/29/2006 Transmitted to Governor  
07/03/2006 Signed by Governor

Senate Bill No. 3051

BY Sosnowski, Lenihan, Paiva-Weed, McCaffrey, Walaska

ENTITLED, AN ACT RELATING TO THE GENERAL ASSEMBLY - COASTAL RESOURCES MANAGEMENT COUNCIL

(create a permanent joint legislative committee to provide oversight of the coastal resources management council)

{LC3102/1}

04/27/2006 Introduced, referred to Senate Government Oversight  
06/14/2006 Scheduled for hearing  
06/14/2006 Continued

Senate Bill No. 3052 SUB A

Chapter 581

BY Goodwin

ENTITLED, AN ACT RELATING TO CRIMINAL OFFENSES -- HYDRANT TAMPERING

(create a criminal penalty consisting of fines ranging from \$1,000 to \$5,000 for injuries to fire hydrants or dry hydrants maintained by fire companies, municipalities, or other public bodies)

{LC3018/2/A}

04/27/2006 Introduced, referred to Senate Judiciary  
05/23/2006 Scheduled for hearing and/or consideration  
05/23/2006 Committee recommended measure be held for further study  
06/20/2006 Scheduled for hearing and/or consideration  
06/20/2006 Committee recommends passage of Sub A  
06/21/2006 Placed on Senate Calendar  
06/21/2006 Senate passed Sub A  
06/21/2006 Referred to House Judiciary  
06/24/2006 Committee recommends passage of Sub A in concurrence  
06/24/2006 Placed on House Calendar  
06/24/2006 House passed Sub A in concurrence  
07/06/2006 Transmitted to Governor  
07/14/2006 Effective without Governor's signature

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

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

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

21       ~~(e)~~(d) The amount levied by a city or town may exceed the ~~five and one-half percent~~  
22 ~~(5.5%)~~ percentage increase as specified in subsection (a) or (b) of this section if the city or town  
23 qualifies under one or more of the following provisions:

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

26       (2) The city or town experiences or anticipates an emergency situation, which causes or  
27 will cause the levy to exceed ~~five and one-half percent (5.5%)~~ the percentage increase as  
28 specified in subsection (a) or (b) of this section. In the event of an emergency or an anticipated  
29 emergency, the city or town shall notify the auditor general who shall certify the existence or  
30 anticipated existence of the emergency. Without limiting the generality of the foregoing, an  
31 emergency shall be deemed to exist when the city or town experiences or anticipates health  
32 insurance costs, retirement contributions or utility expenditures which exceed the prior fiscal  
33 year's health insurance costs, retirement contributions or utility expenditures by a percentage  
34 greater than three (3) times the percentage increase as specified in subsection (a) or (b) of this

1 section.

2 (3) A city or town forecasts or experiences debt services expenditures which ~~are more~~  
3 ~~than one hundred five and one half percent (105.5%) of~~ exceed the prior year's debt service  
4 expenditures by an amount greater than the percentage increase as specified in subsection (a) or  
5 (b) of this section and which are the result of bonded debt issued in a manner consistent with  
6 general law or a special act. In the event of the debt service increase, the city or town shall notify  
7 the department of administration which shall certify the debt service increase above ~~one hundred~~  
8 ~~five and one half percent (105.5%) of~~ the percentage increase as specified in subsection (a) or (b)  
9 of this section the prior year's debt service. No action approving or disapproving exceeding a levy  
10 cap under the provisions of this section affects the requirement to pay obligations as described in  
11 subsection (d) of this section.

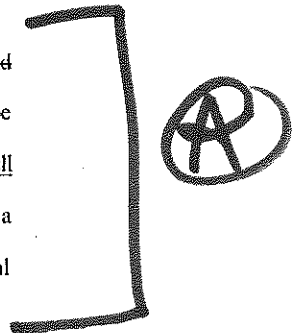
12 (4) The city or town experiences substantial growth in its tax base as the result of major  
13 new construction which necessitates either significant infrastructure or school housing  
14 expenditures by the city or town or a significant increase in the need for essential municipal  
15 services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

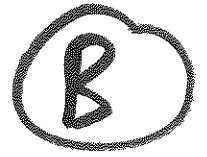
17 (4) (e) Any levy pursuant to subsection ~~(e)~~ (d) of this section in excess of the ~~five and~~  
18 ~~one half percent (5.5%)~~ percentage increase specified in subsection (a) of this section shall be  
19 approved by ~~a majority vote~~ the affirmative vote of at least four-fifths (4/5) of the full  
20 membership of the governing body of the city or town or in the case of a city or town having a  
21 financial town meeting, the majority of the electors present and voting at the town financial  
22 meeting shall also approve the excess levy.

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

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

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





**MAXIMUM LEVY**

**Standards and Procedures for Property Tax Levy Cap for  
Rhode Island Cities and Towns**

**May 2007**

**State of Rhode Island  
Department of Administration (Department of Revenue)  
Office of Municipal Affairs (Division of Property Valuation)  
One Capitol Hill – 4<sup>th</sup> Floor  
Providence, RI 02908**

procedures to be followed should the city/town anticipate exceeding the statutory cap. This information and procedures will be posted on the Office's website at [www.muni-info.state.ri.us](http://www.muni-info.state.ri.us).

3.02 A. No later than fifteen (15) calendar days prior to adoption of the annual operating budget, a city/town may petition the Department of Administration (Department of Revenue) to override the levy cap in accordance with amended RIGL Section 44-5-2(d)(1) or (3). Such petition shall include documentation on anticipated losses in non-property tax revenues and debt service cost increases.

B. No later than thirty (30) calendar days prior to adoption of the annual operating budget, a city/town may petition the Auditor General to override the levy cap in accordance with amended RIGL Section 44-5-2(d)(2). Such petition shall include documentation as the Auditor General shall require.

C. No later than thirty (30) calendar days prior to adoption of the annual operating budget, a city/town may petition the Department of Administration (Department of Revenue) to override the levy cap in accordance with amended RIGL Section 44-5-2(d)(4). Such petition shall include documentation on growth related needs for expanded municipal services as the Department shall require.

3.03 Upon receipt of a petition to override the levy cap under amended RIGL Section 44-5-2(d)(1), the Department of Administration (Department of Revenue) may, at its discretion, verify the amounts of revenue losses.

3.04 In accordance with amended RIGL Section 44-5-2(d)(3) the Department shall certify the debt service increase above the applicable levy cap as identified in amended RIGL Section 44-5-2(b) of the prior year's debt service.

3.05 For those municipalities that have petitioned to exceed the cap based upon major new construction necessitating increased municipal expenditures the Department shall require:

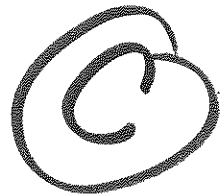
A. Documentation relating to the new construction including the value of the construction and the resulting increase in the municipal tax base.

B. A budget describing and identifying the increased costs relating to the new construction.

3.06 Following receipt and review of the above materials, the Department of Administration (Department of Revenue) will then certify to the city/town official the amount of the loss in projected revenues or increased costs attributable to debt service or growth related to essential services to which the applicable cap in the forthcoming year may be exceeded. Such certification shall also include any amounts that have been certified by the Office of the Auditor General under RIGL Section 44-5-2(d)(2).

3.07 Once a city/town is notified that it may exceed the levy cap applicable to that year, the approval by at least a four fifths vote of the members of the governing body of the city/town, or a majority vote of electors in the case of financial town meeting community, must be certified in order to levy a tax in excess of the cap.

↑ language is different than state statute



# CHECKLIST FOR REQUEST TO EXCEED PROPERTY TAX CAP

Department of Revenue  
Division of Property Valuation and Municipal Finance

Total Non-Property Tax Revenue Loss (RIGL Section 44-5-2(d)(1))  
Debt Service Increase (RIGL Section 44-5-2(d)(3))  
Substantial Tax Base Growth (RIGL Section 44-5-2(d)(4))

MUNICIPALITY \_\_\_\_\_ PROPOSED BUDGET YEAR \_\_\_\_\_

| GENERAL INFORMATION:                               | <u>Tax levy</u> | <u>Tax rate</u> |
|--|-----------------|-----------------|
| <b>Current budget year (FY 2008)</b>               |                 |                 |
| Real estate – residential                          | _____           | _____           |
| Real estate - commercial                           | _____           | _____           |
| Motor vehicles                                     | _____           | _____           |
| Personal property                                  | _____           | _____           |
| Retail/Wholesale Inventory                         | _____           | _____           |
| Total Levy   | _____           |                 |
| <b>Proposed budget year (FY 2009)</b>              |                 |                 |
| Real estate – residential                          | _____           | _____           |
| Real estate - commercial                           | _____           | _____           |
| Motor vehicles                                     | _____           | _____           |
| Personal property                                  | _____           | _____           |
| Total Levy   | _____           |                 |
| <b>Estimated net assessed valuations (FY 2009)</b> |                 |                 |
| Real estate – residential                          | _____           |                 |
| Real estate – commercial                           | _____           |                 |
| Motor vehicles                                     | _____           |                 |
| Personal property                                  | _____           |                 |
| Total net assessed valuations                      | _____           |                 |

**CHECKLIST FOR REQUEST TO EXCEED PROPERTY TAX CAP  
(PAGE 2)**

**Total general fund budget** (including total education budget)

Fiscal Year 2008 \_\_\_\_\_

Fiscal Year 2009 \_\_\_\_\_

**Amount by which proposed tax levy exceeds 5.00% cap** \_\_\_\_\_

Amount (in \$) requested of the Division of Property Valuation \_\_\_\_\_

Amount (in \$) requested of the Office of Auditor General \_\_\_\_\_

**Total override requested** \_\_\_\_\_

**SPECIFIC DOCUMENTATION:**

Total Non-Property Tax Revenue Loss

Revenue pages from both the current and proposed budgets which identify all revenue items to support the general fund budget.

Debt Service Increase

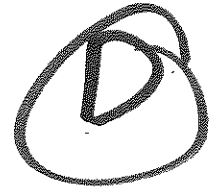
Debt service pages from both the current and proposed budgets identifying principal and interest payments for bonded debt plus schedules listing the various bonded debt.

Substantial Tax Base Growth

Evidence of growth related needs for expanded municipal services.  
Identification of increased costs associated with new construction as well as the value of the construction and the effect on the tax base.

**PLEASE SUBMIT THIS FORM AND SUPPORTING DOCUMENTATION  
ALONG WITH THE REQUEST TO EXCEED THE 5.00% PROPERTY TAX  
CAP SIGNED BY THE MUNICIPALITY'S CHIEF EXECUTIVE OFFICER AT  
LEAST 15 DAYS PRIOR TO THE ADOPTION OF THE ANNUAL BUDGET.**





**MAXIMUM LEVY**  
**Standards and Procedures for Certification**  
**of an Emergency Situation**  
**In Accordance With General Laws Section 44-5-2 (as amended)**  
**for Rhode Island Cities and Towns**

Originally Adopted February 1986

Amended April 1987 and June 2007

State of Rhode Island  
Office of the Auditor General  
86 Weybosset Street  
Providence, Rhode Island 02903-2800

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STANDARDS AND PROCEDURES FOR CERTIFICATION OF AN EMERGENCY  
SITUATION IN ACCORDANCE WITH GENERAL LAWS SECTION 44-5-2

similar to those listed. The events must be identified as emergencies by the city or town and certified as such by the Auditor General.

### **3.00 NOTIFICATION OF AN EMERGENCY SITUATION**

3.01 The city or town shall notify the Auditor General if it experiences or anticipates an emergency situation or situations.

3.02 The notification shall be given at least sixty (60) days prior to the date for approval of the budget, or upon occurrence if less than sixty (60) days.



3.03 The notification shall be in writing and signed by the city or town official.

3.04 The notification shall identify each emergency situation.

3.05 The notification shall be suitably documented with the facts considered by the city or town; the amount of the general fund budget; the amount of the maximum property tax levy allowed under Section 44-5-2, as amended, prior year levy plus statutory cap; any levy in excess of the statutory cap resulting from a loss of federal or state revenue sharing funds or other non-property tax revenue, or an increase in debt service expenditures, which has been certified by the Department of Administration; the dollar impact on the general fund budget of each emergency situation; availability of other revenue sources; and amount by which the statutory cap would be exceeded.

### **4.00 CERTIFICATION BY THE AUDITOR GENERAL**

The Auditor General will respond in writing, no later than thirty (30) days after receipt of the notification by the city or town. He shall either certify the existence of the emergency situation to the Department of Administration or deny certification. If he denies certification, he shall state his reasons.

### **5.00 APPEALS**

5.01 Appeals to Rules - Any person may petition the Auditor General, requesting the amendment or repeal of any rule herein adopted.

5.02 Appeals to Decisions - Any official may petition the Auditor General for review of his decision on any request filed in accordance with the rules herein adopted.

5.03 Filing of Appeals - All appeals to rules or decisions shall be made in writing to the Auditor General stating the nature and reason for said appeal.

5.04 Hearings - Within five (5) calendar days of the receipt of an appeal, the Auditor General shall notify the petitioner of a date upon which said appeal shall be heard.

5.05 Administrative Procedures - All hearings and procedures shall comply with the requirements of Chapter 42-35 entitled "Administrative Procedures".



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# Disclosure and Property Tax Cap Seminar

**Presented by Peder Schaefer**  
Division of Municipal Finance Chief  
Department of Revenue

**September 19, 2008**





# Sample Letter Approving Cap Exemption

March 21, 2008

Steven A. Sette, President  
Glocester Town Council  
Town Hall  
1145 Putnam Pike  
Chepachet, RI 02814-0702

Dear Mr. Sette:

The Department of Revenue, Division Municipal Finance, has reviewed the request from the Town of Glocester to exceed the property tax cap for an increase in debt service costs in excess of 5% of the prior year.

Based upon a review of the schedules provided, we hereby certify the following exclusion for bonded debt from the property tax cap for FY 2009 in accordance with Section 44-5-2(d)(3):

|  |                  |
|--|------------------|
| FY 2009 Debt Service Requirement               | \$2,581,528      |
| FY 2008 Expense at 5% increase                 | <u>1,826,295</u> |
| Total Certified Increase in Debt Service Costs | \$ 755,233       |

This amount is certified to the extent debt service payments proposed for FY 2009 are included in the final approved budget.

Therefore, based upon the current year's tax levy of \$18,134,554; this certification to exceed the 5% cap should result in a tax levy no greater than \$19,796,515 for FY 2009.

I should note that this excess levy, as authorized by the Department of Revenue, must be approved by an affirmative vote of at least four-fifths (4/5) of the full membership of the governing body and a majority of the electors at the financial town meeting. We would remind you that, since the cap is now based upon tax levy, your final tax resolution and tax rate would be restricted to the maximum levy previously referenced.

AS

If you have any questions, please do not hesitate to call.

Sincerely,  
Peder A. Schaefer  
Chief

PAS: emm  
xc: Gary S. Sasse, Director of Revenue  
Ernest A. Almonte, Auditor General  
Thomas Mainville, Finance Director



# Sample of Cap Exemption Revision Letter

April 21, 2008

Steven A. Sette, President  
Glocester Town Council  
Town Hall  
1145 Putnam Pike  
Chepachet, RI 02814-0702

Dear Mr. Sette:

The Department of Revenue, Division Municipal Finance, has received the town's letter dated April 17th amending its request to exceed the property tax cap for an increase in debt service costs.

Based upon the revised schedules provided, we hereby certify a reduction in the exclusion for bonded debt service costs from \$755,233 to \$651,261 for FY 2009.

This amount is certified to the extent debt service payments proposed for FY 2009 are included in the final approved budget.

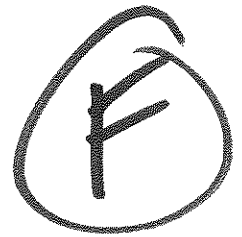
Therefore, based upon the current year's tax levy of \$18,134,554; this revised certification to exceed the 5% cap should result in a tax levy no greater than \$19,692,543 for FY 2009.

I should note that this excess levy, as authorized by the Department of Revenue, must be approved by an affirmative vote of at least four-fifths (4/5) of the full membership of the governing body and a majority of the electors at the financial town meeting. We would remind you that, since the cap is now based upon tax levy, your final tax resolution and tax rate would be restricted to the maximum levy previously referenced.

If you have any questions, please do not hesitate to call.

Sincerely,  
Peder A. Schaefer  
Chief

PAS: emm  
xc: Gary S. Sasse, Director of Revenue  
Ernest A. Almonte, Auditor General  
Thomas Mainville, Finance Director



**Report on the Property Tax Cap**

**Fiscal Year 2009**

**Division of Municipal Finance – Department of Revenue**

**December 31, 2008**

### Part 3 – Tax Cap Modification

This final section of the report provides recommendations relating to continuation or modification of the property tax cap as required by 44-5-2 (c).

1. **Net Debt Service Increase:** Municipalities are now eligible to receive an exemption from the tax cap to the extent that total debt service increases by more than the cap. It is typical with school (and sometimes library) debt that simultaneous with an increase in cost there is also an increase in state school housing (or library construction) aid. The law does not currently allow the state to net the increase in state aid against the increase in debt service cost. We believe it would be more reasonable to offset any increases in state aid attributable to the debt against the allowable tax cap exemption. A modification to the law would be required.
2. **Compliance with the Cap:** There is currently no compliance enforcement mechanism by the state to assure that municipalities comply with the cap. As noted earlier in this report, two communities minimally exceeded the cap in their final tax certification for FY 2009. The enforcement remedy available to a taxpayer is to file a complaint in Superior Court as an aggrieved taxpayer. We recommend that the law be amended to enable the Department of Revenue with approval of the Auditor General to reduce General Revenue Sharing by an amount equal to any tax levy exceeding the maximum approved levy.
3. **Super Majority Council Approval:** Subsection e of 44-5-2 reads as follow: (e) Any levy pursuant to subsection (d) of this section in excess of percentage increase specified in subsection (a) 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.

This section has been unclear to many towns which have a financial town meeting (FTM) for purposes of approving the budget and tax levy. Some interpret it to mean that a simple majority at a FTM is required to levy a tax in excess of the cap which includes state approved exemptions. Others interpret it to mean that even if the town has a FTM, a four fifths council vote is also necessary to exceed the cap. This Division has advised towns that the four fifths Council vote is also necessary for FTM towns. Nevertheless, we believe clarification language could be helpful especially for those towns where the Council does not play a roll in budget or tax levy approval (Lincoln, Tiverton). It would be the Division's recommendation that the language be changed to allow budget boards to meet the test of the four fifths vote.

4. **Exclusive Focus on Tax Cap:** The focus of the Department of Revenue's responsibilities during the disclosure and tax cap certification review (as provided for in 44-5-2 and 44-35 of the RI General Laws) is to assure that the property tax levy does not exceed the tax cap plus any approved exemptions. A separate section of Title 45 of the RI General Laws (45-12) deals with municipal deficits. This division and the Auditor General's office interact with municipalities on actual and projected deficits. During this

G



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Revenue

Division of Property Valuation and Municipal Finance OFFICE (401) 222-2867  
One Capitol Hill - 4th Floor FAX (401) 222-3809  
Providence, RI 02908

May 1, 2008

James C. Goncalo  
Town Administrator  
Town of Tiverton  
343 Highland Road  
Tiverton, RI 02878

Dear Mr. Goncalo:

The Department of Revenue, Division of Property Valuation and Municipal Finance, has reviewed the request from the Town of Tiverton to exceed the property tax cap for FY 2009.

The first part addresses a loss in total non-property taxes in accordance with Section 44-5-2 (d) (1) of the General Laws. After a review of the revenue detail submitted, we hereby certify the following loss in total non-property tax revenues for FY 2009:

|                                  |                     |
|----------------------------------|---------------------|
| FY 2009 non-property tax revenue | \$ 9,868,222        |
| FY 2008 non-property tax revenue | <u>\$10,882,911</u> |
| Total Certified Loss             | \$ 1,014,689        |

This is \$115,349 lower than the amount requested due to the exclusion of three property tax line items for a tax agreement and prorated taxes (these would not qualify as non-property tax revenues).

The second part of the request was for an increase in debt service costs in excess of 5.0% of the prior year's costs resulting from bonded debt. Based upon a review of the schedules and other information provided, we hereby certify the following exclusion for bonded debt from the property tax cap for FY 2009 in accordance with § 44-5-2 (d) (3):

|   |                    |
|---|--------------------|
| FY 2009 Debt Service Requirement                | \$3,261,786        |
| FY 2008 Expense at 5.0% increase                | <u>\$2,366,970</u> |
| Total Certified Increase in Debt Service Costs: | \$ 894,816         |

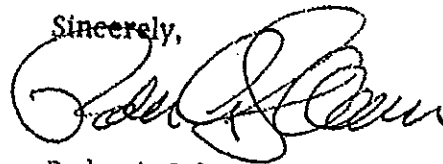
Therefore, the Town of Tiverton is certified to exceed the property tax cap by no more than \$1,909,505 for the fiscal year 2009. Based upon the current year's levy of \$28,131,165, this certification to exceed the 5% cap should result in a tax levy no greater than \$31,447,228.

Page Two  
James Goncalo  
May 1, 2008

I should note that this excess levy, as authorized by the Department of Revenue, must be approved by an affirmative vote of at least four-fifths (4/5) of the full membership of the governing body and a majority of the electors at the financial town meeting. We would remind you that, since the cap is now based upon tax levy, your final tax resolution and tax rate would be restricted to the maximum levy previously referenced.

If you have any questions, please do not hesitate to call.

Sincerely,

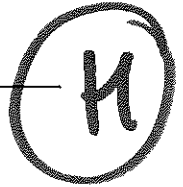


Peder A. Schaefer  
Chief

PAS:emm

xc: Gary S. Sasse, Director of Revenue  
Ernest A. Almonte, Auditor General  
Louise Durfee, Town Council President

## State of Rhode Island: Governor Donald L. Carcieri



### GOVERNOR CARCIERI SIGNS PROPERTY TAX RELIEF LEGISLATION INTO LAW

07-13-2006

Governor Donald L. Carcieri today signed Senate Bill 3050 and hailed it as a significant step forward in providing real tax relief to Rhode Islanders. Among the provisions in the new law is a gradual reduction in the state's property-tax levy cap from the current rate of 5.5 percent to 4 percent by the Fiscal Year 2013.



With Rhode Island holding the dubious distinction of the seventh-highest tax burden in the country, Governor Carcieri said the new law will help to relieve the burden for overtaxed Rhode Islanders. "By signing this comprehensive, landmark legislation, we are controlling the rate of growth in property taxes and reining in local spending by reducing the tax cap levy," said Governor Carcieri, who has made state tax reduction and reform a priority since first taking office.

Governor Carcieri noted that Rhode Island cities and towns continue to increase property taxes, creating burdens for all Rhode Islanders and Rhode Island businesses. In fact, Rhode Island's property taxes are 45 percent higher than the national average. "It puts a tremendous financial strain upon households in every corner of our state, and it's a tremendous stumbling block for first-time homebuyers," the Governor said.

"Simply put, Rhode Islanders are overtaxed and that's affecting the quality of life in our state," the Governor continued. "Consider this: 25% of the average homeowner's monthly payment goes to property taxes. And 42% of every tax dollar goes to property taxes."

Under the new law, local spending is reined in by reducing the city and town tax levy cap from 5.5 % to 4.0% by Fiscal Year 2013. The bill also establishes a cap on the budget adopted and presented by any school committee at 105.25%, beginning in FY 2008, of the previous year's allocation. The cap would be reduced to 104% by FY 2012. To help reduce the cost of unfunded mandates, future state mandates to school districts would be required to be fully reimbursable by the state.

While the new law will provide tax relief, Governor Carcieri said there is more work to be done. He urged support for a nonbinding referendum that would amend the Rhode Island constitution restricting state spending to the rate of inflation plus 1.5% and to limit annual increases in local property taxes to no more than 4%. That question will appear on the November ballot. "Year after year, we increase state spending far above the rate of inflation or personal income growth. That's unacceptable," Governor Carcieri said.

Governor Carcieri noted that if this amendment had been in place since 1996, the state would have spent \$543.8 million less in general revenue in the last fiscal year alone. "Capping the rate at which we spend money and raise taxes will help us finally instill the discipline we need."

The Governor said that the Fiscal Year 2007 budget that he signed two weeks ago represented another positive step towards reducing Rhode Island's overall tax burden. Among the measures cited by Governor Carcieri were increasing the phase-out of the car tax, increasing the property tax rebate for elderly and disabled citizens, implementing a flat tax alternative, and reducing the capital gains tax.

The budget also limits spending by instituting a number of important welfare reforms -- introduced by the Governor and passed by the General Assembly -- and reducing the size of the state workforce.

This represents the second year in a row that Governor Carcieri has signed the state budget. Last year, the budget included the Governor's major reform of the state pension system, which is expected to save Rhode Island taxpayers \$44 million this year and over \$230 million over five years. Of the \$44 million in savings this year, \$18 million accrues to local cities and towns, helping them in their efforts to hold down property tax increases. Last year's budget also jump started the phase out of the car tax, which the Governor had suggested.

Governor Carcieri's Big Audit is also reducing state spending and streamlining state government. Through the Fiscal Fitness program, taxpayers will save \$490 million by the end of the decade.

#### Related links

<http://www.ri.gov/GOVERNOR/view.php?id=2321>



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## "PROPERTY-TAX CAP A VICTORY FOR WEED"

Date Published: August 8, 2006

Publication: Daily News (Newport, RI)

Author: Joe Baker

It was late into the last night of the legislative session when Senate Majority Leader Teresa Paiva Weed, D-Newport, on her way to yet another meeting to keep tabs on what was going on under the Statehouse dome, was stopped by Gary Sasse, executive director of the Rhode Island Public Expenditure Council. One of Sasse's primary goals was to make sure Weed's proposal to lower the state-mandated cap on local property taxes not get lost in the always-hectic final hours.

"This is blinking time," Weed recalled Sasse saying to her, urging Weed not to blink first in the Senate's showdown with the House of Representatives over each chamber's tax relief packages.

"I said to him, 'I'm not blinking. I'm too tired.'" Weed recalled.

House leaders had invested a lot of political capital in their proposal to institute a flat tax, which would effectively lower income taxes for wealthy taxpayers. Senate leaders, however, were balking. Their proposal to lower the cap on property taxes would benefit more people, they insisted. The flat tax proposal was included in the state budget, but Senate leaders were holding the budget hostage until House leaders agreed to pass Weed's property tax bill.

In the wee hours of that final night, well after the clock struck 12, the House unanimously approved the property tax cap, the Senate passed the budget and a tired and pleased Weed turned her attention to the other details that needed to be cleaned up before the Assembly finally ended its session around 4:30 a.m.

"This is the most important piece of taxpayer legislation in over a decade," said Sasse, whose group acts as a watchdog over government spending.

It was the end of a long and torturous journey for Weed that started last October.

In October 2005, Weed attended the annual RИPEC dinner. Former U.S. Rep. Dick Armey, R-Texas, the keynote speaker, talked about constitutional caps on property taxes. Although she did not like the idea of putting the cap in the state constitution, Weed began looking at the concept of reducing the existing cap on property taxes.

When the General Assembly session opened up in January, Sasse began promoting and Sen. J. Michael Lenihan, D-East Greenwich, introduced legislation for a constitutional cap. On March 2 Weed sat down with Sasse, Lenihan and Senate Fiscal Adviser Russell Dannecker to discuss the policy. Sasse showed Weed a poll indicating widespread support for property tax relief.

"This was the middle class - the majority of Rhode Islanders," Weed said.

Still opposed to the constitutional avenue, Weed began working on legislation to do the same thing. On April 12 Senate leaders unveiled their plan as part of a multi-faceted tax relief plan.

"The average Rhode Island family pays more than twice as much in property tax as they do in income tax," Weed said that day.

She also acknowledged that she would have to work to overcome expected opposition.

"We recognize that this ... is the beginning, not the end," Weed said.

Even before the bill was introduced, Weed was modifying it. At the urging of some fellow senators, she agreed to include a provision ensuring that the state would fund any future mandates it imposed on cities and towns. It also included a provision to increase the property tax break offered senior citizens.

On June 8, the Senate Finance Committee held a hearing on the bill. Municipal officials expressed concerns that the cap on property tax increases would only be applied to the total tax levy and not the tax rate, as was currently allowed. They also were concerned that the legislation did not apply to school budgets, which in most communities represents more than half of the budget, and that the bill did not make allowances for unforeseen emergencies. Union officials testified that reducing the cap would hurt the quality of education. Others insisted a statutory cap would be easier to circumvent than a constitutional amendment.

Even as witnesses testified, Weed moved around the room, talking to those with objections, seeking to work out compromises.

Eventually she sponsored a series of amendments that, while they did not completely satisfy everyone, mollified most.

"It was very difficult (to get the bill passed)," Sasse said. "There were very strong interests opposed to it. It took a great deal of skill on the senator's part to negotiate that process."

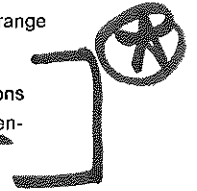
Property tax relief is a laudable goal, said Portsmouth Town Administrator Robert G. Driscoll, but he is concerned about some aspects of the legislation.

"The biggest concern I have is, instead of being a government being responsive, we will be in a situation where local government can't be responsive to citizens on initiatives that require additional spending," Driscoll said.

Driscoll said lowering the cap from the existing 5.5 percent to 4 percent, albeit in one-quarter percent increments, will change the nature of "community" and could pit various groups against one another in a battle to secure local funding.

"One of the ways government is different from business is we're providing services, every one of which is used by a minority of citizens," Driscoll said. "Part of being joined together in a community is to be joined together for a common purpose. (As an individual taxpayer) you're buying a whole range of services that, for the most part, you don't access."

Weed's final bill went further than the original constitutional cap, Sasse said. It includes a provision that would preclude local school appropriations from exceeding the cap. The legislation also requires a four-fifths vote by the local city or town council to exceed the cap (six of seven on a seven-member council) and approval by voters in communities that have financial town meetings. It also placed stringent limits on what constitutes an "emergency" that would allow municipalities to exceed the cap.



Both Weed and Sasse say the legislature must monitor the law to ensure it works as envisioned. But both also agree that taxpayers will ultimately be the beneficiaries.

"This is a landmark piece of legislation," Sasse said.

"Property taxpayers don't mind paying for services," Weed said. "But right now people are at the point where ... they feel they're looking for relief. That's not to say there won't be increases in the future. But it will avoid doubling or tripling."

*Tagged:*

[Daily News \(Newport, RI\)](#) [Rhode Island](#)

*It's easier (and more fun) to pass new laws than to enforce existing ones*

DICK ARMEY

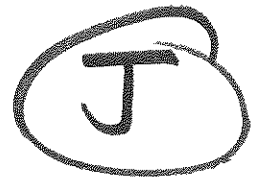
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**Rhode Island Senate 3050  
What is It and How Does it Affect Coventry?**

**Report to the Coventry Town Council  
and School Committee**

**Respectfully submitted December 19, 2006**

**To:** Town Council and School Committee Members  
**From:** Peter Marino, Chairman, Coventry Task Force to Study Impact of S-3050  
**Re:** Findings of Task Force  
**Date:** December 19, 2006

At the close of the 2006 Legislative Session, Rhode Island enacted property tax legislation that affects cities and towns throughout the State. This legislation changes the property tax limit in the State. In response, the Coventry Town Council and School Committee appointed a special task force to examine this new legislation and present its findings to a joint meeting of said councils.

Understanding the complexities of the legislation is difficult given the interpretation of language, the intent of the initiatives, and the local financing structure already in place in the Town. Regardless, the attached report outlines the task force's findings, observations and comments as to how the new legislation will impact the Town.

The task force met six times to work through the legislation, gain a greater understanding of its purpose, mechanics and implications to the Town of Coventry, and report finding to you. The report outlines the legislation and raises a number of issues that the Town's leadership will have to consider in the development of the Town's future budgets.

I would like to take this opportunity to thank the members of the task force for the diligence, hard work and experience they poured into this effort. All parties had ample opportunity to raise concerns and observations regarding the legislation, and I am confident that all came away with a greater understanding of the complex, yet significant, implications this new legislation has on our Town. Again, the following members of the task force worked very hard on behalf of Coventry's taxpayers to develop this analysis:

- Peter Marino, Chairman of Task Force
- Ken DiPietro, Superintendent of Schools
- Anthony Ferrucci, School Business Manager
- Dave Johnson – Citizen Representative
- Rich Kerbel, Town Manager
- Warren West, Finance Director/Town Treasurer

On behalf of the task force, I hope that the information provided and the discussion that ensues provides all of you with an additional tool to begin developing the financial plans for the Town. The task force is confident that a greater understanding of the new law will only enhance the Town's cooperative efforts to implement prudent financial plans and fair taxation policies for the Town.

Attached:

Task Force Report  
Copy of S-3050 as Enacted  
Minutes of all Meetings

# **Rhode Island Senate 3050**

## **What is it and How Does it Affect Coventry?**

### **Report to the Coventry Town Council and School Committee**

|                            |
|----------------------------|
| <b>Summary of Findings</b> |
|----------------------------|

The new legislation is designed to limit the maximum amount of property taxes levied to be approved by the financial town meeting regardless of the need or the impact on services, or the limitations on efficiencies. The legislation ratchets down the amount of property tax revenue that can be raised from Coventry's residents and businesses. This will certainly force difficult choices and efforts to prioritize programs and services, and it will require considerable cooperation among the Town's officials to broker a budget that balances the service needs of the community with the need to maintain reasonable property tax burdens. There is no question that the new legislation will increase the pressure on non-property tax revenue sources. The following represents overall findings, comments and concerns regarding the legislation and how it might affect the Town of Coventry. The change in the property tax cap will:

- Limit the growth in property tax revenues available for municipal and school expenditures;
- Expose the need to consider efficiencies and longer-term financial strategies to ensure spending remains within allowable resources;
- Defines selected ways to exceed the cap under specific conditions with approvals;
- Limit the municipal appropriation amount the School Department can request, but does not limit what can be appropriated by the Town Council and Financial Town meeting;
- Encourage both the municipal and school staff to identify alternative non-property tax revenue sources for ongoing operating expenditures (guarding against using one-time fixes, such as looking towards the Town's fund balances, the sale of assets, etc. to finance recurring expenditures);
- Affect the way the Town finances selected services in the future, such as moving away from property taxes and towards fee for service programs;
- Encourage local officials to apply pressure on the State government to increase state aid to municipalities;
- Encourage Town officials and collective bargaining units to take into consideration the new restrictions on property tax revenues in future collective bargaining agreements;
- Affect the Town's ability to deliver quality public services to accommodate further development and growth.

## Background

The following provides an overview of the changes in how the State will apply its property tax cap legislation.

**Old Law:** Rhode Island had a 5.5% cap on property tax growth in each city or town. The cap was applied to either the actual levy or the growth in tax rate. Communities that experience rapid growth in their property tax base were able to live under the existing cap through the rate. For example, a community was able to increase its tax rate by 2.0% but generate property tax revenue that exceeded 5.5% growth in the levy.

There were a number of exceptions to the law – a loss in non-property tax revenues; debt service expenditure growth exceeding the cap, or an emergency. Communities had to seek approval from either the State Department of Administration or the State's Auditor General. Even if approved, the municipality would still need to gain an affirmative vote from the governing body (or financial town meeting).

Communities could exceed the cap should they forecast or experience a loss in non-property tax revenues. This included the situation where a community used a portion of its fund balance to balance its budget. In the following year, those resources were no longer available and therefore were considered a "loss" of non-property tax revenue.

*New Law* → **S-3050 Sub A – Relating To Taxation – Property Taxes:** The State enacted legislation that applies the local property tax cap of 5.5% to only the levy (not the rate) in FY 2007 and reduces the cap to 4.0% by FY 2013 in 0.25% increments. Fire districts are not included under this legislation. Table 1 outlines the schedule.

**Table 1**  
**Property Tax Cap Schedule**

| Fiscal Year | Levy Cap | Applies to:  |
|-------------|----------|--------------|
| 2007        | 5.50%    | Levy or Rate |
| 2008        | 5.25%    | Levy         |
| 2009        | 5.00%    | Levy         |
| 2010        | 4.75%    | Levy         |
| 2011        | 4.50%    | Levy         |
| 2012        | 4.25%    | Levy         |
| 2013        | 4.00%    | Levy         |

Source: S-3050

Exceptions to the cap include a loss in non-property tax revenues; debt service expenditure growth exceeding the cap, or an emergency. The legislation defines emergency to be if health care, retirement contributions and/or its utility costs increase by

three times the cap. Communities still must seek approval from either the State Department of Administration or the State's Auditor General.

The legislation also attempts to recognize that some communities are under significant pressures from continued growth in their population and the demand for municipal and school services. Therefore, the legislation includes an exception to the cap to account for rapid growth in a community. The exemption is somewhat vague in that it defines substantial growth as growth that necessitates either significant infrastructure or school housing expenditures, or there is a significant increase in demand for municipal services.

Regardless of the circumstances, the community would have to seek approval from the governing body (council and financial town meeting) for any of these exceptions, and voters must approve any levy growth in excess of the local property tax levy cap. The property tax cap may be exceeded by the community for the reasons noted above with a 4/5 affirmative vote of the municipality's governing body and in the case of a financial town meeting, a 4/5 affirmative vote of the municipality's governing body and a majority vote of the financial town meeting.

In order to confirm how this would impact the Town of Coventry, we reviewed this requirement with Senate legal counsel. In Coventry's case, after the town receives approval from the appropriate State agency, the Town Council must approve exceeding the cap with a 4/5 vote and it must be affirmed by a majority vote of the Financial Town meeting.

*Other Provisions of Note:*

The law includes language that permits communities to continue the prior year's budget should the community fail to adopt the next fiscal year's budget on time. (Note that the Town of Coventry already has this provision in its Charter). This was done because a number of communities' charters did not provide clear procedures should a budget and tax rate fail to be in place at the beginning of a new fiscal year.

There is language designed to further define and expand the concept of a mandate. Prior to this legislation, a state mandate was defined as "any state or executive action requiring a municipality to spend funds where the expenditures are not reimbursed in whole or in part. The new legislation expands this definition to include "any rule, regulation or policy adopted by a state department or agency or quasi-public department or agency. It further expands the number of mandates by deleting the phrase "or in part", thereby adding any mandate not fully reimbursed. The reimbursement costs are to be included in the next state budget, but a 3/5 vote of the General Assembly excludes these costs in the budget. Legislation in the FY 2007 budget (Article 39) requires the State to develop a fiscal note and hold public hearings for all proposed mandates prior to enactment.

In addition, the new language also attempts to limit the scope of court decisions relating to education funding by requiring courts to consider the local property tax caps on school district budgets.

report. But if the General Assembly decides not to reimburse, it requires a 3/5ths majority. Meanwhile, the Town and district have to show their costs for the year prior and they are subject to an audit.

### Summary of Report:

As Coventry's elected officials, you face a new paradigm in how municipal finances will be developed and managed. Senate Bill 3050 limits the maximum amount of property taxes levied regardless of the need, impact of services, growth in the tax base or the limitations on efficiencies.

You will be called on to make very difficult budget and service decisions that have long term implications for the Town to meet the new demands imposed by this new legislation. There are essentially three options (that can be combined) available as you begin to grapple with this new legislation:

- Reduce expenditures through reduced services or through efficiencies;
- Identify non-property tax revenue sources to make up the difference; and/or
- Pursue permission to exceed the cap from the State, the Town Council and the Financial Town Meeting.



**Rhode Island Senate 3050**  
**What is it and How Does it Affect Coventry?**

**Report to the Coventry Town Council and School Committee**

**December 19, 2006**

# Task Force

## Members

- Peter Marino, Chairman of Task Force
  - Ken Di Pietro, Superintendent of Schools
  - Anthony Ferrucci, School Finance Director
  - Dave Johnson – Citizen Representative
  - Rich Kerbel, Town Manager
  - Warren West, Finance Director/Town Treasurer
-

# Task Force

## Objective

To examine S-3050, explain its provisions and to present its findings to a joint meeting of the Town Council and School Committee

# Task Force Report

## Overview

New legislation limits the maximum amount of property taxes levied regardless of the need, the impact on services, or the limitations on efficiencies.

---

# Town of Coventry

## Potential Impacts on the Town

- Limits the growth in property tax revenues available for municipal and school expenditures;
  - Exposes the need to consider efficiencies and longer-term financial strategies to ensure spending remains within allowable resources;
  - Encourages Town officials and collective bargaining units to consider the new restrictions on property tax revenues in future collective bargaining agreements;
  - Affects the Town's ability to deliver quality public services to accommodate further development and growth; and
  - Applies pressure on State government to increase state aid.
-

# Town of Coventry

## Potential Impacts on the Town - Continued

- Limits the municipal appropriation amount the School Department can request, but does not limit what can be appropriated by the Town Council and Financial Town meeting within the cap;
  - Affects the way the Town finances services in the future, such as moving away from property taxes and towards fee for service programs;
  - Encourages both municipal and school staff to identify alternative non-property tax revenue sources for ongoing operating expenditures; and
  - Demonstrates the need to guard against using one-time fixes, such as looking towards the Town's fund balances, the sale of assets, etc. to finance recurring expenditures.
-

# Property Tax Cap

## What Does the Bill Actually Do?

- Tightens the State's property tax limitation so that the cap only applies to the Levy (as opposed to rate or levy) and that it declines to 4.0% over time.

| <b>Fiscal Year</b> | <b>Proposed Cap</b> | <b>Applies Cap to</b> |
|--------------------|---------------------|-----------------------|
| 2007               | 5.50%               | Levy or Rate          |
| 2008               | 5.25%               | Levy                  |
| 2009               | 5.00%               | Levy                  |
| 2010               | 4.75%               | Levy                  |
| 2011               | 4.50%               | Levy                  |
| 2012               | 4.25%               | Levy                  |
| 2013               | 4.00%               | Levy                  |

Source: S-3050 Sub A

# Coventry's Local Levy History

| Fiscal Year    | Certified Levy | Amount Change | Percent Change |
|----------------|----------------|---------------|----------------|
| 1999           | \$35,397,955   |               |                |
| 2000(1)        | 36,014,310     | 616,355       | 1.74%          |
| 2001           | 37,431,558     | 1,417,247     | 3.94%          |
| 2002           | 38,905,763     | 1,474,206     | 3.94%          |
| 2003(2)        | 43,278,080     | 4,372,316     | 11.24%         |
| 2004           | 45,839,262     | 2,561,182     | 5.92%          |
| 2005           | 48,191,589     | 2,352,327     | 5.13%          |
| 2006(2)        | 50,350,513     | 2,158,924     | 4.48%          |
| 2007           | 53,614,508     | 3,263,995     | 6.48%          |
| 2008 Estimated | \$56,429,270   | \$2,814,762   | 5.25%          |

Notes:

(1) Implemented Full Revaluation

(2) Implemented a Statistical Update

Source: Town of Coventry

# Property Tax Cap

## Exceptions

- Loss in non-property tax revenue;
  - Debt services costs grow faster than cap;
  - Emergency defined as growth in health insurance, retirement and/or utility costs that exceeds three times the rate of the Cap; and
  - Substantial growth in tax base resulting in major public investments in infrastructure, school facility or municipal services.
-

# Property Tax Cap

## Local Over-ride Provision

• Regardless of exception, the Town must get prior approval from either the Department of Administration or the Auditor General;

then

• The Town Council must provide an affirmative vote of at least 4/5 of the full membership to exceed the Cap for any reason;

then

• Must be affirmed by a majority vote of eligible voters attending Financial Town Meeting.

(A)

# Property Tax Cap

## Impact on Schools

- Legislation re-states commitment to new funding formula for schools;
  - Limits school committee budget submissions on the municipal appropriation only to the property tax cap;
  - Excludes Federal, State and School Department-generated revenue sources from the cap requirement for school committee budget submissions; and
  - Attempts to limit Carulo Act challenges to the property tax caps.
-

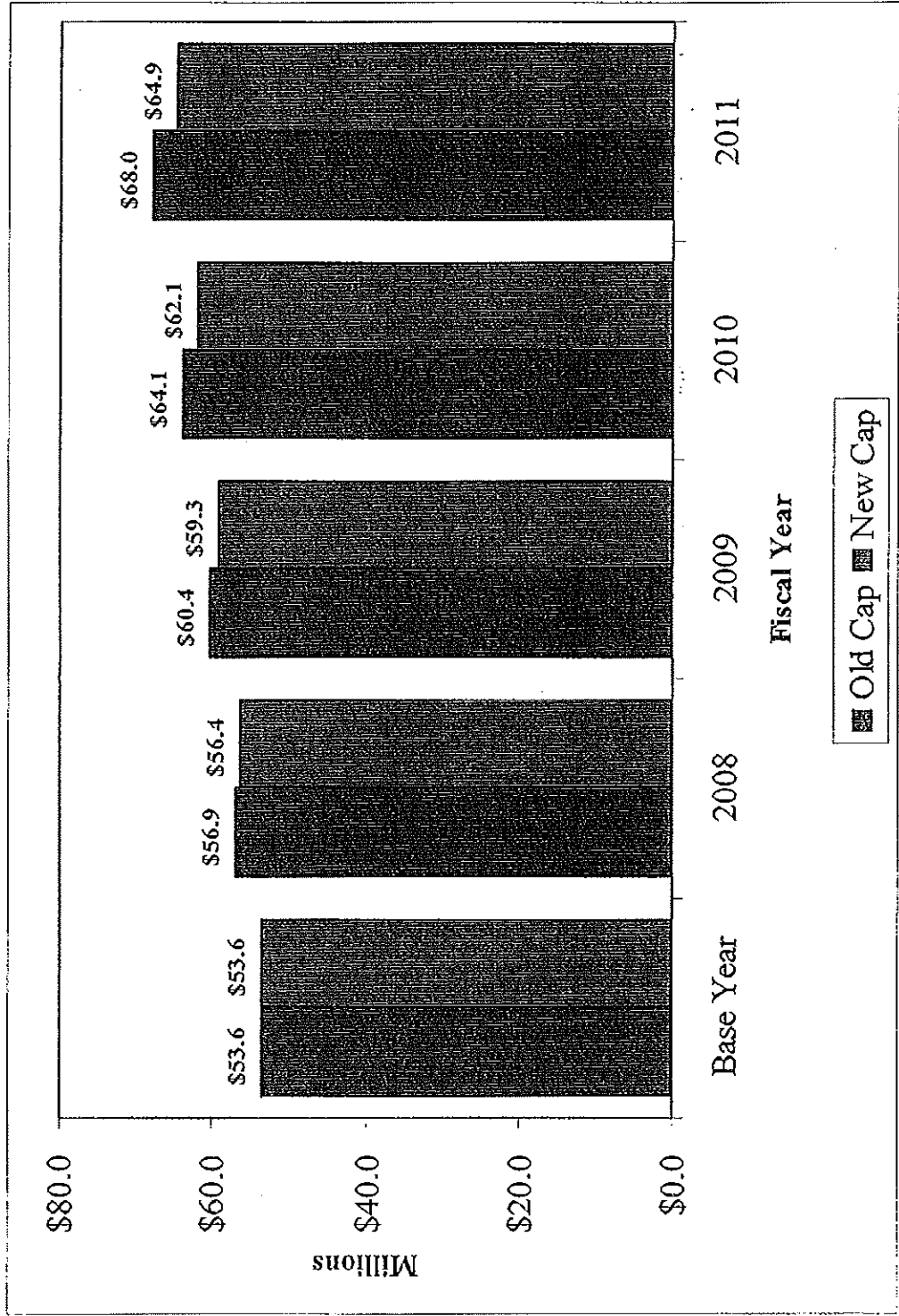
# Property Tax Cap

## Fiscal Implications

- The Task Force developed a model that found that in FY 2008, if the Town were to max out the cap, the Town will have approximately \$500,000 less in tax revenues available for expenditure than under the old cap.
  - The gap between the old cap and the new cap is projected to more than double to approximately \$1.1 million by FY 2009.
  - Under the model, an annual tax bill in FY 2011 for a home assessed at \$300,000 would total \$5,526 compared to \$5,832.
  - This would be 5.2% (\$306) less than would otherwise be levied (over the four year period).
-

# Property Tax Cap

## Fiscal Implications

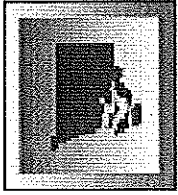
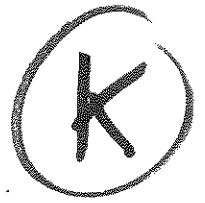


# Task Force

## Concluding Remarks

- Town Officials face a new paradigm.
- Difficult choices ahead that have long term implications.
- There are essentially three options available as you begin to grapple with this new legislation:
  - Reduce expenditures through reduced services and/or efficiencies;
  - Identify non-property tax revenues to make up the difference; and/or
  - Pursue permission to exceed the cap from the State, the Town Council and the Financial Town Meeting.

(A)



**RIPEC**

# Comments on Your Government

A SPECIAL PUBLICATION OF THE RHODE ISLAND PUBLIC EXPENDITURE COUNCIL

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## How Rhode Island State and Local Tax Burdens Compare What Approach Should Be Used to Measure Tax Burdens?

*RIPEC recently published a report on state and local government revenues, based on data provided by the United States Department of Commerce, Bureau of the Census. Because responsibilities between the levels of government may vary from state to state, the report combines both state and local government revenue collections. A report on expenditures will be published in July 2006.*

*This Comments provides an analysis on the recently released revenue data. It also gives an overview on some of the measures of relative state and local tax and financial burdens that are being used.*

### Introduction

Uniform and dependable tax collection information must be available to accurately compare state and local tax burdens. In RIPEC's opinion, the most credible source of comparative state and local tax data is *Government Finances* compiled by the United States Census Bureau. Thus, the analysis presented here, and in *How Rhode Island Compares, 2006 Edition, State and Local Taxes*, is based on the United States Census Bureau, Government Finance, FY 2004 data.

In FY 2004 (the most recent national data) total State and local tax collections in Rhode Island amounted to \$4.2 billion. Taxes include compulsory payments that are generally not related to a specific public service. Revenues excluded from the category of tax collections are sales of commodities and services directly benefiting users (e.g., tuition and fees), enterprise revenues, and insurance payments such as unemployment and workers compensation programs.

As set forth on Table 1, Rhode Island's tax burden continues to be one of the highest in the United States. The reason for this is primarily due to the Ocean State's over-reliance on the property tax, which is 45 percent above the United States average. Property taxes accounted for 42¢ of every dollar Rhode Islanders paid in State and local taxes, whereas the sales tax paid took 19¢, and the State's personal income tax accounted for almost 22¢.

What does this comparative tax data tell us about Rhode Island's economic competitiveness and the affordability of State and local governments for middle-class families in the Ocean State?

July 2006

**Table 5**  
**Property Tax Collections**  
**(per \$1,000 of personal income)**

|    | 1994    | Rank | 2004    | Rank |
|----|---------|------|---------|------|
| US | \$36.78 |      | \$34.75 |      |
| CT | 47.80   | 11   | 45.70   | 7    |
| MA | 40.43   | 18   | 38.43   | 15   |
| RI | 49.45   | 8    | 50.38   | 5    |

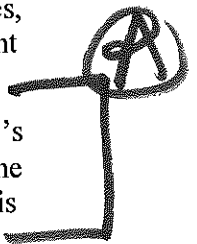
Source: U.S. Census Bureau, Government Finance, FY 2004 Data, Bureau of Economic Analysis for personal income data, and RIPEC calculations.

**Comments**

By focusing on taxes, as opposed to total revenues, RIPEC's analysis attempts to provide decision makers with data on how the Ocean State's tax burden compares to competitor states.

The Governor and General Assembly have recognized Rhode Island's relatively high tax burden and as a result significant tax reform and spending control legislation was enacted during the recently completed session of the General Assembly. For example:

- a. Legislation was enacted that statutorily achieves the objective of limiting the growth in property taxes. This legislation
  - Closes a major loop hole in the State's existing property tax cap by applying the cap to only the levy rather than the rate or the levy and reduces the cap 5.5 percent to 4.0 percent by FY 2013 in 0.25 percent increments.
  - Provides that school committee budget proposals cannot include increases in local appropriation requests beyond the cap.
  - Provides for exceptions to the cap including a loss in non-property tax revenues, debt service expenditure growth exceeding the cap, rapid growth resulting from new construction, which necessitates significant increase in the need for services and facilities, or an emergency. The legislation defines emergency to be if health care, retirement contributions and/or its utility costs increase by three times the cap.
  - To exceed the cap, the reasons outlined above, a 4/5 affirmative vote of the municipality's governing body and in the case of a financial town meeting, a 4/5 affirmative vote of the municipality's governing body and a majority vote of the financial town meeting is required.
  - Includes language designed to minimize the use of administrative rulemaking to pass on additional unfunded mandates to localities, and there is language attempting to limit the scope of court decisions relating to education funding.



**Topic:**

LEGISLATION; MUNICIPAL FINANCE; PROPERTY TAX; STATISTICAL INFORMATION;

**Location:**

TAXES - PROPERTY;



September 5, 2006

2006-R-0544

**RHODE ISLAND PROPERTY TAX CAP**

By: Judith Lohman, Chief Analyst

You asked for a description of Rhode Island's property tax cap law and recent legislative changes in it. You also asked what the ramifications of adopting a similar property tax cap law in Connecticut would be.

**SUMMARY**

The Rhode Island property tax cap law is classified as a "levy limit" type of property tax restriction. Levy limits cap annual allowable revenue growth from local property taxes at a fixed annual percentage. Rhode Island's current limit is 5.5% annually, but a 2006 law gradually reduces the limit to 4% per year over five years starting in FY 2008. The law allows towns to override or waive the limits in certain situations.


Town revenue losses from property tax levy limits must be absorbed through spending reductions, additional non-property tax revenues such as increased state aid, or a combination of the two. To illustrate the impact of 5.5% and 4% levy limits in Connecticut, we applied them to FY 03 and 04 property tax revenues for each Connecticut town as reported in the Office of Policy and Management's *Municipal Fiscal Indicators* report. If the 5.5% revenue limit had been in effect in Connecticut in 2003, it would have reduced allowable 2004 property tax revenues for 110 of 169 towns by a total of \$ 102.26 million. A 4% limit would have affected 138 towns and reduced aggregate revenue by \$ 162.4 million. Although these aggregate dollar savings appear large, the 5.5% and 4% property tax caps would have reduced statewide property tax revenues by only 1.5% and 2.4%, respectively.

**RHODE ISLAND PROPERTY TAX CAP*****Original Law***

In 1985, Rhode Island adopted a law intended to both limit the growth in local property taxes and expand the state's role in funding public education. The law limits annual increases in the amount of local property taxes each town can raise to 5.5%. The 5.5% cap could apply to either property tax rates (mill rates) or to total property tax revenues raised. The law allows a town to exceed the cap if it:

1. forecasts or experiences a loss in non-property tax revenues and the loss is certified by the state Department of Administration;
2. has an actual or anticipated emergency and the state Auditor General certifies the emergency; or
3. faces an annual increase in debt service expenditures greater than the cap percentage, provided the debt service results from legally issued bonded debt and the Department of Administration certifies the increase.

Towns can also increase property taxes by more than the cap if the increase is approved by a majority vote of the town's governing body and, if the town has a financial town meeting (17 of the state's 37 towns require voters in a financial town meeting to approve local budgets), a majority of voters present at the meeting (RI Gen. Laws, § 44-5-2).



### **2006 Changes**

In the 2006 session, the Rhode Island General Assembly made several changes to tighten the tax cap law. The changes were approved by the governor on July 3, 2006. The law takes effect January 1, 2007 (SB 3050, as amended).

The changes make the law more of a pure "levy limit" by requiring the cap to apply only to increases in property tax revenues. It eliminates the option for towns to comply by keeping mill rate increases below the percentage limit, regardless of the amount of taxes they raise. This reduces the cap's flexibility because towns will no longer be allowed to increase property tax revenues by more than the capped amounts through growth in their grand lists, while keeping their mill rate increases under the cap.

In addition, the new law reduces the allowable annual increases from a maximum of 5.5% to a maximum 4% between 2008 and 2013 according to the following schedule:

FY 2008 – 5.25%

FY 2009 – 5.0%

FY 2010 – 4.75%

FY 2011 – 4.50%

FY 2012 – 4.25%

FY 2013 and after – 4.0%

The new law specifies that a town can take advantage of emergency exceptions to the cap when it experiences or anticipates increases in costs for health insurance, retirement contributions, or utility expenses that are more than three times the allowable cap increase. It also adds an exception to allow a town to exceed the annual

cap if it experiences a substantial growth in its tax base because of major new construction that necessitates spending increases for significant infrastructure, schools, or because of increased demand for municipal services, as certified by the Department of Administration.

The law increases the margin by which a town's governing body must approve increases over the cap from a simple majority of those present and voting to a 4/5ths majority of the body's full membership.

The new law also bars school district committees from proposing annual school budgets that require municipal appropriations for education that are greater than amounts appropriated in the previous year plus a percentage equal to the cap percentage.

### POTENTIAL IMPACT OF LEVY LIMIT CAP IN CONNECTICUT

To the extent that levy limits are effective in reducing the growth in property tax revenues, they require (1) reduced local spending; (2) increased revenues from sources other than the property tax, such as increased state or federal aid; or (2) a combination of these two.

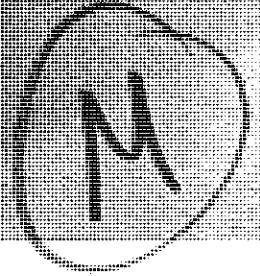
Table 1 attached illustrates the impact of a Rhode Island-style levy limit on local property tax revenues in Connecticut using town-by-town property tax revenue figures for FYs 03 and 04, as reported by the Office of Policy and Management in its most recent Municipal Fiscal Indicators report. Of the 169 Connecticut towns, 110 had 2003 to 2004 property tax revenue increases exceeding 5. 5%. An additional 21 towns increased their revenues by between 4. 0% and 5. 5% and would thus be affected by

a 4% levy limit. The aggregate statewide property tax revenue losses would have been \$ 102, 261,416 (1. 54%) for a 5. 5% limit and \$ 162,405,502 (2. 4%) for a 4% limit.

The towns highlighted in blue on the attached table are those that would not have been affected by either cap in 2004 (i. e. , those with property tax revenue increases less than 4%). Towns highlighted in yellow are those that would not have been affected by a 5. 5% cap but would have lost revenue with a 4% cap in 2004 (i. e. , those whose revenue increased by between 4% and 5. 5%).

**Table 1: Impact of 5. 5% and 4% Levy Limits on Connecticut Town FY 04 Property Tax Revenues**

| Municipality | 2003 Prop Tax Revenue | 2004 Prop Tax Revenue | 2004 Revenue With | 2004 Revenue With | 5. 5% Revenue Loss | 4% Revenue Loss |
|--------------|-----------------------|-----------------------|-------------------|-------------------|--------------------|-----------------|
|              |                       |                       | 5. 5% Levy Limit  | 4% Levy Limit     |                    |                 |
| ANDOVER      | \$ 4,994,097          | \$ 5,372,678          | \$ 5,268,772      | \$ 5,193,861      | \$ 103,906         | \$ 178,817      |
| ANSONIA      | \$ 21,604,976         | \$ 22,819,320         | \$ 22,793,250     | \$ 22,469,175     | \$ 26,070          | \$ 350,145      |
| ASHFORD      | \$ 6,191,297          | \$ 6,396,039          | \$ 6,531,818      | \$ 6,438,949      | \$ 0               | \$ 0            |
| AVON         | \$ 44,995,486         | \$ 48,012,671         | \$ 47,470,238     | \$ 46,795,305     | \$ 542,433         | \$ 1,217,366    |



## Smithfield, Rhode Island

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**Credit Profile**

**US\$7.65 mil GO bnds ser 2011 A&B dtd 01/15/2011 due 01/15/2031**

|   |                  |          |
|---|------------------|----------|
| Long Term Rating  | AA/Stable        | New      |
| Smithfield certs of part (wastewtr trtmnt fac loan 2003 ser) dtd 03/12/2003 due 11/15/2003-2012 |                  |          |
| Unenhanced Rating   | AA-(SPUR)/Stable | Upgraded |
| Smithfield GO   |                  |          |
| Unenhanced Rating   | AA(SPUR)/Stable  | Upgraded |

Many issues are enhanced by bond insurance.

**Rationale**

Standard & Poor's Ratings Services has raised its long-term rating on Smithfield, R.I.'s general obligation (GO) debt to 'AA' from AA-' and its long-term rating on the town's certificates of participation to 'AA-' from 'A+'. The upgrade reflects the town's maintenance of its financial position at a level we consider to be strong. We also assigned our 'AA' rating to the town's series 2011 GO issue, reflecting our view of the town's:

- Sound tax base with extremely strong per capita market values and strong-to-very strong income levels;
- Strong financial position; and
- Below-average debt levels.

Somewhat offsetting these strengths is our view of Smithfield's unemployment rates, which are somewhat above the national average and pension funding, which is below actuarial required levels.

The town's full faith and credit pledge secures the GO bonds. The certificates of participation are secured by lease rental payments from a sublease in which Smithfield, as lessee, is obligated to make lease payments equal to the principal and interest on the certificates, although this obligation is dependent upon annual appropriations. There is no

debt service reserve fund for the lease bonds. We understand that the town will use the proceeds of these bonds for land acquisition.

Smithfield (population 21,270), located 11 miles northwest of Providence, has recently experienced significant growth and diversification of its tax base. The recent additions include a Fidelity Investments campus, a Dow Chemical facility, and a shopping center that includes Home Depot, Kohl's Corp., and Target, which have broadened employment opportunities. The town's assessed value (AV) decreased by 4% for fiscal 2011 to \$2.63 billion. Per capita market value is \$123,800, a figure we consider extremely strong. The value of the 10 leading taxpayers has increased recently to 12.7% of total value, but the tax base remains very diverse in our view. The town's unemployment rate was 10.6% in October 2010 and the 2009 annual rate was 10.6%, and both of these rates were higher than national levels but lower than state levels. Median household effective buying income (EBI) is 133% of the nation's level, which we consider very strong, and per capita EBI is 111% of the national level, which we consider strong.

Fidelity Investments moved to a facility in the town in 1998 after negotiating a 30-year tax treaty with the town and the state, and has since expanded its campus to three buildings. Under the treaty, Fidelity pays a negotiated amount of property taxes—currently \$1.5 million—and the state foregoes some income taxes from the employees. The payment under the tax treaty currently requires an approximately annual payment in lieu of property taxes, which increases by 15% every five years. The company currently employs 1,800 at this campus. In addition to Fidelity, Bryant University employs about 760, and there are multiple retail and manufacturing firms that employ more than 100.

The town's financial position is strong, in our view, and the general fund balance has increased for at least the past seven years despite recent state aid cuts. Despite a total general fund increase, the unreserved general fund balance decreased by about \$700,000 at the end of fiscal 2010 to \$6.9 million, or 11.9% of expenditures and transfers, which we consider to be a strong level. Smithfield's charter limits the unreserved, undesignated general fund balance to 5%, but allows additional amounts to be held as unreserved but designated. In addition to the unreserved general fund balance, the reserved fund balance contains \$3.1 million for future capital expenditures and \$3.3 million of unspent funds that are reserved for future appropriation. General fund cash was \$11.6 million, which is equal to 79 days' expenditures and transfers out. The school department finances are reported in a separate fund, which had a \$1.3 million unreserved balance.

The major general fund revenue sources were property taxes (86%) and state aid (10%). The town's charter limits the undesignated fund balance to a maximum of 5% of the subsequent year's expenditures, but allows additional amounts to be held in designated and reserved balances. The fiscal 2011 budget decreased slightly from 2010, and \$1.6 million of fund balance was appropriated, of which \$850,000 was used to replace lost funding from the state for a motor vehicle exemption reimbursement. Smithfield's practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA). An FMA of good indicates that the town's practices are deemed currently good, but not comprehensive.

The town's overall net debt burden is 0.7% of market value, which we consider low, and \$830 per capita, which we consider very low. Additional debt needs are limited.

### *Outlook*

The stable outlook reflects our view that Smithfield's economy should be a steady source of property taxes, which are the town's primary revenue source. We do not expect that the rating will change within the two-year parameter of the stable outlook, as we anticipate the town to continue to maintain consistently strong reserve levels.

### *Finances*

#### *Pensions*

Smithfield has five pension funds, three of which are part of state systems and two of which are administered locally. The town is required to make payments equal to 100% of annual required contribution (ARC) levels for the state-administered funds, but its payments for the locally administered funds—the firefighters fund and the fund for police hired before July 1999—have been below required levels. The town's contributions for its local funds are determined by contract and not necessarily tied to the ARC. In fiscal 2011, Smithfield's pension payment for the fire fund and the old police fund are about \$2.0 million below ARC levels. Town officials state that they will attempt to move the fire pension fund into the state system and will work to renegotiate the contractual funding levels for the pension systems. As of July 1, 2010, the unfunded liability for the closed police fund was \$19.2 million, an 11% funded level, and the fire fund had an unfunded liability of \$3.8 million, a 65% funded level. The unfunded liability of the town's other post employment benefits (OPEB) is \$29.0 million as of June 30, 2010, with a fiscal 2010 ARC of \$2.3 million. The town's actual 2010 payment was \$1.4 million, or 59% of the requirement. Smithfield has about \$100,000 in a fund for OPEB benefits, and it plans to establish an OPEB trust fund.

If the value of the unfunded liabilities of the two pension funds and the OPEB are added to the town's overall net debt, the levels are equal to 2.6% of market value and \$3,280 per capita.

#### *Statewide levy limit*

State law limits the town's levy increase to 4.5% for fiscal 2011, and the levy cap will decrease by 25 basis points annually until it reaches 4% in fiscal 2013. The levy limit can be overridden with a 4/5 vote of town council and approval by the financial town meeting. In recent years, the town has increased its levy in line with the limits.

#### *Related Criteria And Research*

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

