

Local Aid and Related Issues

February 25, 2015
Staff Presentation to the House Finance
Committee

Introduction

Briefings

- January 28 – Budget Update
- February 4 – Medicaid and Human Services programs and issues
- February 11 – Personnel Costs and Issues
- **Today – Local Aid and related issues**

Process

- HFC consideration of Gov.'s budget on *local aid and related issues*
 - Big picture budget review in full committee
 - Proposed law changes addressed by the full committee in article hearings
 - Subcommittees will hold individual agency hearings in March and April
- All include staff presentations of proposals followed by agency and public testimony

Local Aid and Related Issues

- Overview
- Local Government Revenues
- Local Aid Programs
 - General
 - Education
- Related Issues
- How we compare

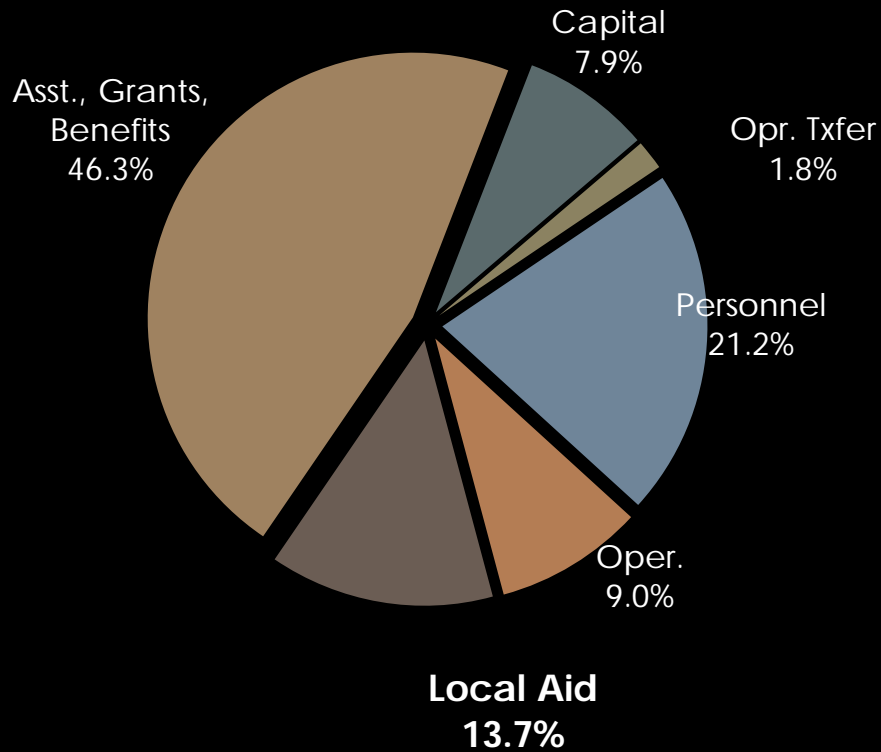
Overview

Overview

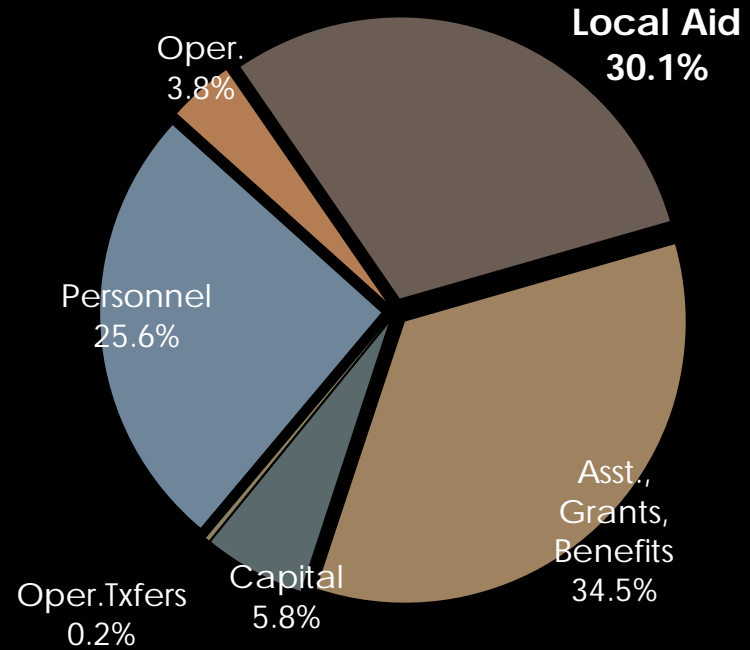
- Major part of state budget
 - 4% growth est. from FY 2016 – FY 2019
- High % of taxpayer money goes to locals through property taxes
 - Local issues impact state & citizenry
- Issues facing municipalities
 - Property Tax Limits and Yields
 - Long Term Liabilities
 - Uncertainty of state support

FY 2015 - By Category

ALL FUNDS

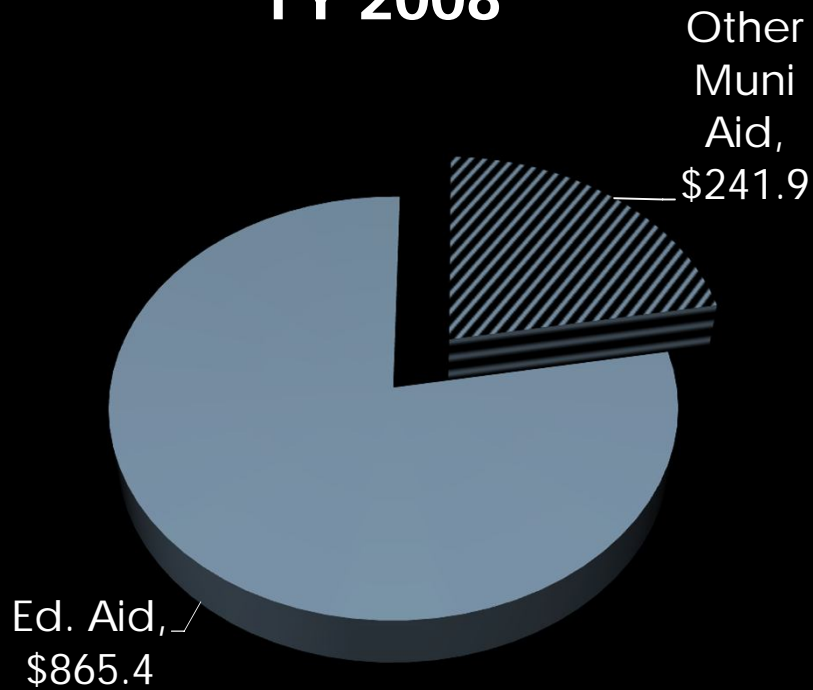


GENERAL REVENUES

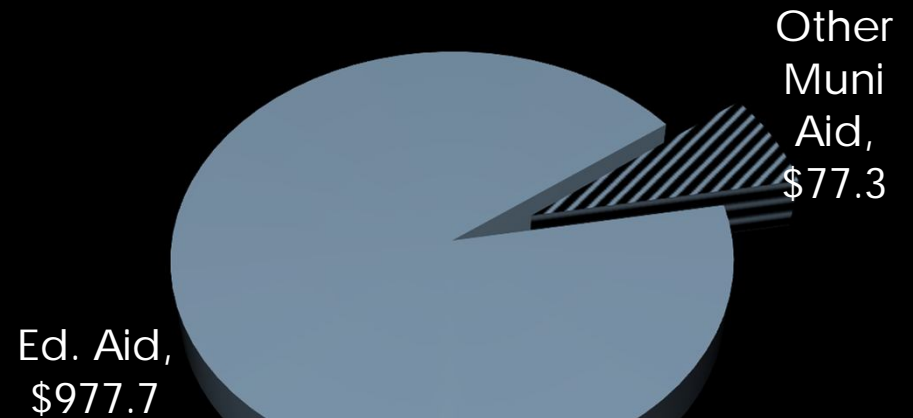


General Revenues for Local Aid

FY 2008

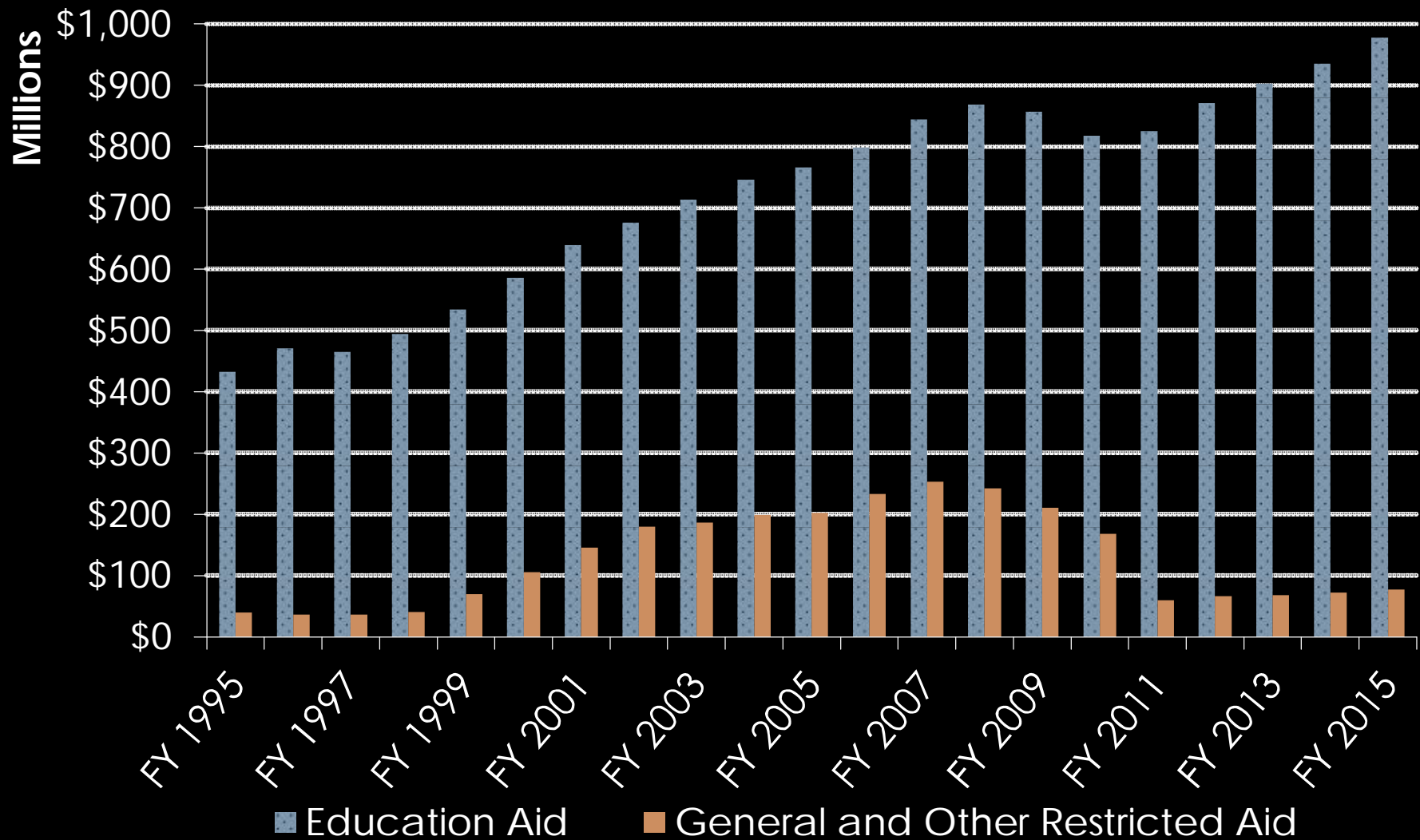


**FY 2015
Enacted**



In millions

Local Aid History



FY 2016 Budget Gap

FY 2015 Enacted Budget (millions)	Total	S/B in total
Education Aid	\$961.0	-
Local Aid	77.3	-
Medicaid Programs	1,083.8	72.2
Other Human Service Programs	258.2	112.5
Public Safety	413.2	336.0
Environment	37.7	29.8
Higher Education (incl. debt)	191.0	105.1
Other Education (incl. some aid prg.)	47.3	31.6
Debt Service (excl. higher ed.)	168.1	-
Other State Government	207.6	141.3
Total FY 2015 General Revenues	\$3,445.2	\$828.6

FY 2016 Budget Gap

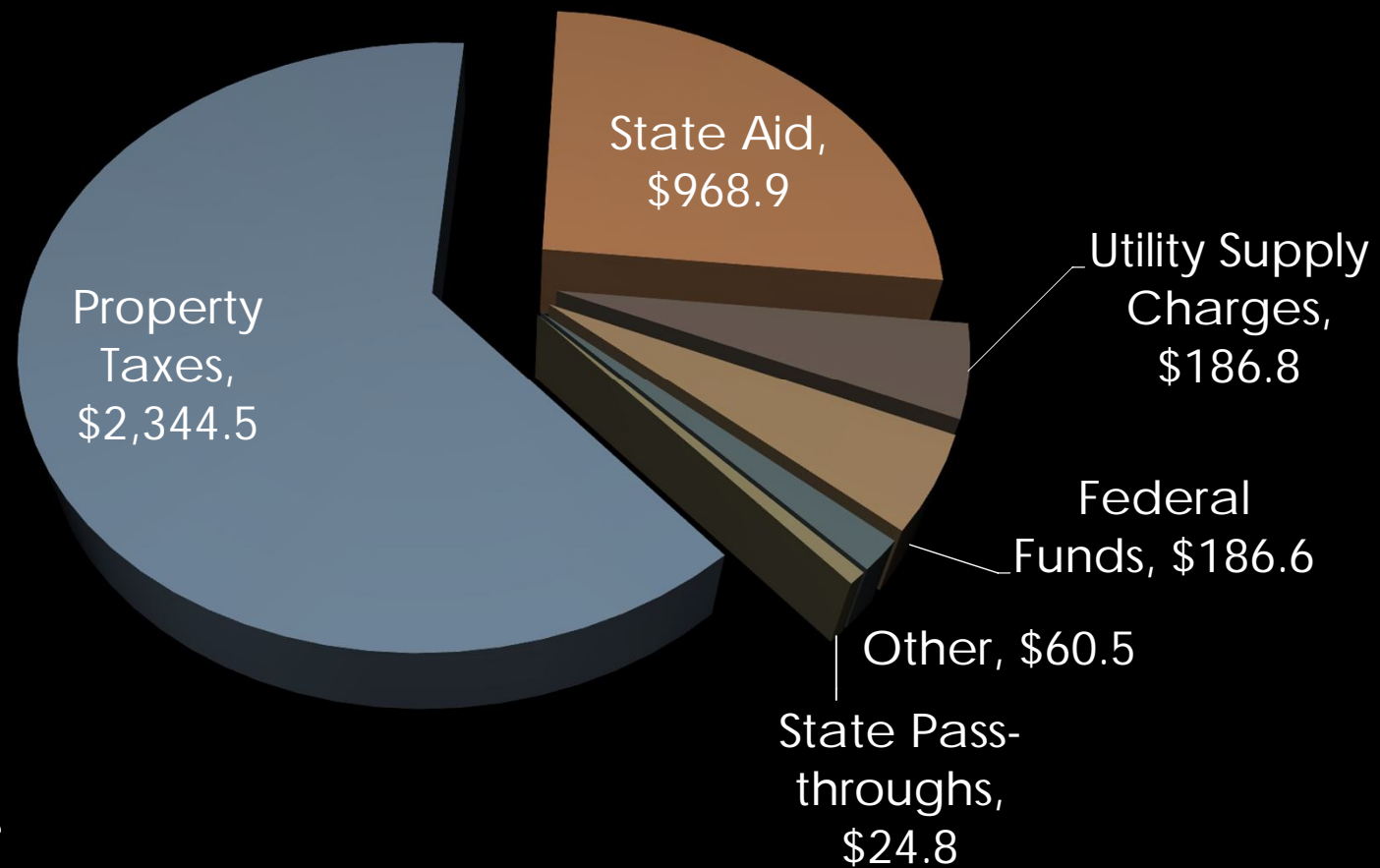
FY 2016 Budget Gap Calculation	Total	S/B in Total
FY 2015 General Revenues	\$3,445.2	\$828.6
Statewide Benefit Adj.(no COLA)	5.4	5.4
COLA	37.4	37.4
Caseload & Medicaid Match Adj.	45.6	-
Debt Service	3.9	-
Local Aid	(3.5)	-
Education Aid	46.0	-
Nonrecurring and Other Items	15.5	-
Subtotal: Current Service Adjust.	\$150.3	\$42.8
FY 2015 Current Services	\$3,595.5	\$871.4
FY 2016 Revenues (BO Estimate)	\$3,428.9	
Budget Gap	(\$166.6)	

Overview

- State of RI = Population ~1 million
 - Five Counties
 - 39 cities and towns
 - 39 municipal governments
 - 36 school districts
 - 38 police departments
 - 50 fire departments/districts
- Population has grown little since 1990
 - Demographics have skewed older

Local Government Revenues

Municipal Revenue Sources



In millions

Source: U.S. Census Bureau, 2012 Census of Governments

Property Tax

- **Power to Levy- RIGL 45-2-2**

“The electors of any city or town qualified to vote on any proposition to impose a tax or for the expenditure of money, when legally assembled, may levy a tax for the purposes authorized by law, on the ratable property of the city or town, either in a sum certain, or in a sum not less than a certain sum and not more than a certain sum...”

Property Tax: State Exemptions

- State Exemptions (RIGL 44-3-3)
 - Cemeteries
 - Charitable
 - Church
 - Federal
 - Hospital
 - Libraries
 - Schools

Property Tax: Local Exemptions

- Exemptions include
 - Veterans' Exemptions (RIGL 44-3-4) – For persons who served honorably in U.S. military
 - 17 municipalities offer larger exemptions than statutory \$1,000
 - Disability Freeze (RIGL 44-3-15) – Freeze tax rate and valuation for persons deemed 100% disabled

Property Tax: Local Exemptions

- Elderly Exemptions (RIGL 44-3-13) – For persons over the age of 65
 - Nine communities provide exemption of portion of property valuation from taxation
- Elderly Freeze (RIGL 44-3-16) – Freeze of tax rate and property valuation
 - Generally for persons over 65 years old
 - Warwick exempts those over age 70
- More information can be found on the Division of Municipal Finance website:
<http://www.municipalfinance.ri.gov/data/>

Property Tax Cap

- 2006 Assembly capped property tax levy at 5.25% over the prior year
- Dropped annually by 0.25%, until max increase reached 4.0% in FY 2013

Fiscal Year	Max Levy % Increase
2008	5.25
2009	5.00
2010	4.75

Fiscal Year	Max Levy % Increase
2011	4.50
2012	4.25
2013	4.00

Property Tax Cap

- May exceed caps in certain cases w/ approvals of DOR certification & 4/5ths of the local governing body
 - Loss of non-property tax revenues
 - Increase in debt service costs
 - Emergency (also needs Auditor General review and approval)
 - Substantial growth in tax base (Division of Municipal Finance approval)

Property Tax Cap

- Municipalities implementing exemptions

Fiscal Year	Total	Fiscal Year	Total
2009	9	2013	1
2010	5	2014	0
2011	14	2015	3
2012	2		

Local Aid Programs: General

Local Aid Programs

- General aid – Can be used for general budget use or as reimbursement for costs associated with state programs
 - Purpose to relieve property taxpayers by providing state revenues to local governments
 - \$65.5 million from general revenues in FY 2015 enacted budget

Local Aid Programs

- Restricted aid – Payments to municipalities for specific purposes
 - Includes Education Aid, discussed separately in presentation
- Pass-through aid – Taxes collected on municipalities' behalf by the state
 - Distributed to cities and towns by Division of Taxation

General Aid Programs

<i>(in millions)</i>	FY 2013	FY 2014	FY 2015 Enacted
Dist. Communities	\$ 10.4	\$ 10.4	\$ 10.4
PILOT	35.1	35.1	40.1
Motor Vehicle Excise	10.0	10.0	10.0
Muni Incentive Aid	-	5.0	5.0
Total	\$ 55.5	\$ 60.5	\$ 65.5

Distressed Communities Relief

- Provides aid to municipalities with highest property tax burdens, relative to wealth of taxpayers
- Eligible communities fall in lowest 20% (bottom 8 rankings) for 3 of 4 indices:
 - % tax levy to property full value
 - Per capita income
 - % personal income to property full value
 - Per capita property full value

Distressed Communities Relief

Municipality	Qualified
Central Falls	FY 1991
Pawtucket	FY 1991
Providence	FY 1993
North Providence*	FY 2003
West Warwick**	FY 1991
Woonsocket	FY 1991

*North Providence did not qualify FY 2004 and FY 2005

**West Warwick did not qualify FY 1993 through FY 1996

Distressed Communities Relief

Municipality	Qualified	Exited Program
Burrillville	FY 2007	FY 2012
East Providence	FY 2011	FY 2012
Cranston	FY 2013	FY 2015

Payment in Lieu of Taxes

- Reimburses cities and towns for portion of property taxes that would have been due on property owned by:
 - Nonprofit educational institutions
 - Nonprofit hospitals
 - State-owned hospitals
 - Veterans' residential facility
 - Correctional facility

Payment in Lieu of Taxes

- Payment up to 27% of property tax that would have been collected, subject to appropriation
 - Appropriations less than 27% are ratably reduced
- State makes annual payment to municipalities in July
 - FY 2015 payment made July 11, 2014
- Prior data timeliness issues appear resolved

Motor Vehicle Excise Tax Phase-Out

- 1998 Assembly began phase out of property tax on motor vehicles
 - Required municipalities to freeze property tax rates at 1998 level and provide increasing exemption from FY 2000 through FY 2006
- State to reimburse municipalities for lost taxes
 - Originally to be funded from sales tax dedication

Motor Vehicle Excise Tax Phase-Out

- Vehicle Value Commission sets assessed value based on National Auto Dealers Association retail values
 - Commission sets value at 100% retail
- Original legislation allowed for exemptions and reimbursements to increase each fiscal year
 - Revised several times

Motor Vehicle Excise Tax Phase-Out

- In FY 2010, state began to suffer severe revenue losses affecting current budget, with 7 months to solve
- Governor Carcieri recommended 50% reduction for FY 2010 and no funding for FY 2011 and thereafter
- 2010 Assembly restored some FY 2010 and less for FY 2011
 - Provided \$10 million and required exemption of at least \$500

Motor Vehicle Excise Tax Phase-Out

- Exemption levels left to municipalities
 - Revealed various problems regarding vehicle valuations
- Out-year deficits do not assume any additional funding for the program

Municipal Incentive Aid

- 3-year program to encourage:
 - Sustainable funding of retirement plans
 - Reduce unfunded liabilities
- \$5.0 million each fiscal year
 - FY 2014 – FY 2016
- Distributed to eligible municipalities on population basis if certain conditions are met

Municipal Incentive Aid

- 2011 pension reform legislation required municipalities to submit Funding Improvement Plans if local plan in “critical status”
 - Defined as a plan <60% funded
- Municipality had 180 days to submit an alternative Funding Improvement Plan (FIP) to emerge from critical status

Municipal Incentive Aid

Eligibility Requirements

<i>FY 2014</i>	<i>FY 2015 and FY 2016</i>
No locally administered plans	All locally administered plans in state administered system by June 30, 2014
An approved FIP by June 1, 2013	Implemented approved FIP within 18 months of critical status
Locally administered plan does not require FIP	Locally administered plan does not require FIP & makes required funding payment

Inactive Program

- General Revenue Sharing
 - 1993 Assembly enacted for FY 1994
 - Portion of total state tax revenues from second prior fiscal year earmarked as state aid to municipalities
 - Originally scheduled to grow to replace local revenues
 - 2009 Assembly concurred with Governor Carcieri's proposal to not fund for FY 2010 and beyond

Restricted Use Programs

<i>(in millions)</i>	FY 2013	FY 2014	FY 2015 Enacted
Library Aid	\$ 8.8	\$ 8.8	\$ 8.8
Library Construction Aid	2.5	2.3	2.3
Prop. Val. Reimbursement	1.6	0.5	0.6
Oversight Reimbursement	-	0.1	0.1
Total	\$12.9	\$ 11.6	\$ 11.8

Library Aid

- Up to 25% reimbursement of second prior year expenditures to provide support to public libraries - \$8.8 million
- Administered by DOA's Office of Library & Information Services
- Must meet maintenance of effort for expenditures
- 2008 and 2009 Assemblies froze the MOE requirement at 80% for FY 2009 and FY 2010

Library Construction Aid

- State reimburses libraries up to ½ of total cost for eligible projects on an installment basis up to 20 years
- Grants-in-aid to a municipality or a free public library
 - construction/capital improvements of any free public library designed to provide better services to the public

Library Construction Aid

- Payments do not begin until fiscal year following completion, acceptance, and audit of the project
- 2011 Assembly imposed a 3-year moratorium on applications
 - As of Jan. 2015, no new applications have been received
 - State has maintained full funding of program

Property Valuation Reimbursement

- 1997 Assembly mandated scheduled property revaluations and statistical updates
 - Full revaluation every 9 years
 - Updates every 3 and 6 years after reval.
- State reimburses municipalities for cost of updates
 - Up to \$12/parcel
 - Up to \$16/parcel - distressed communities

Oversight Reimbursement

- Fiscal Stability Act established advisory position for municipalities no longer under state oversight
 - Advisor appointed by Director of Revenue, to serve for 5 years
- 2013 Assembly amended statute to provide 50% state reimbursement of municipality's costs

Inactive Programs

- Municipal Police and Firefighter Incentive Pay
 - Reimbursements based on educational attainment by public safety personnel
 - Governor Carcieri proposed eliminating program for FY 2009
 - 2008 Assembly maintained in General Laws, but provided no funding

Pass-Through Programs

<i>(in millions)</i>	FY 2013	FY 2014	FY 2015 Estimated
Public Svc. Corp.	\$12.7	\$13.2	\$14.3
1% Meals & Bev.	\$21.4	\$22.3	\$23.6
1% Hotel	\$3.0	\$3.1	\$3.3

Pass-Through Programs

- Public Service Corp. Tax
 - Tax on tangible personal property
 - Includes lines, cables, and machinery
 - Statute allows use of up to 0.75% for state administrative expenses
 - Distributed to municipalities based on population
 - 2009 Assembly established minimum rate at 2008 level to protect against losses

Pass-Through Programs

- Local Meals and Beverage
 - 1.0% from retail sales of meals & beverages in/from eating/drinking establishments
 - Meals = food sold ready for immediate consumption
 - Distributed quarterly to municipality where the meals and beverages are delivered

Pass-Through Programs

- Hotel Tax
 - Total 6.0% on rented space temporarily furnished in buildings or structures with a minimum 3 rooms
 - 1980 Assembly established 5% rate
 - 2004 Assembly added 1% additional tax on occupancy charges effective January 1, 2005
 - Taxation collects for all but Newport
 - Taxes divided among CVBs, locals and state

Local Aid Programs: Education

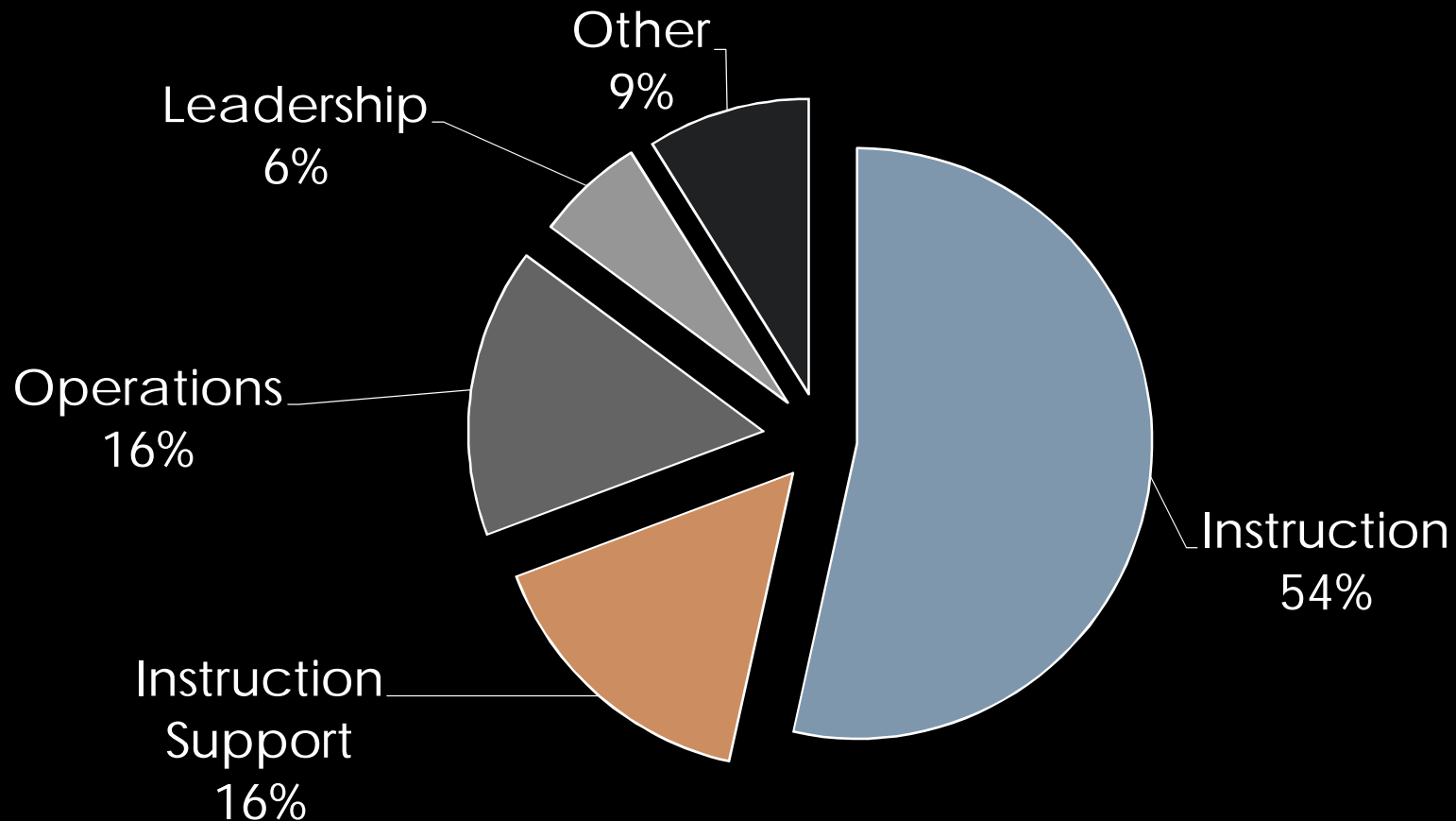
Public Education – Who We Are

- 140,165 Students
- 36 Districts
- 4 Regional school districts
- 22 Charter Schools
 - 3 are district affiliated
- State Schools
 - School for the Deaf (not included in aid totals)
 - Davies Career and Technical School
 - Metropolitan Career and Technical School

Governance

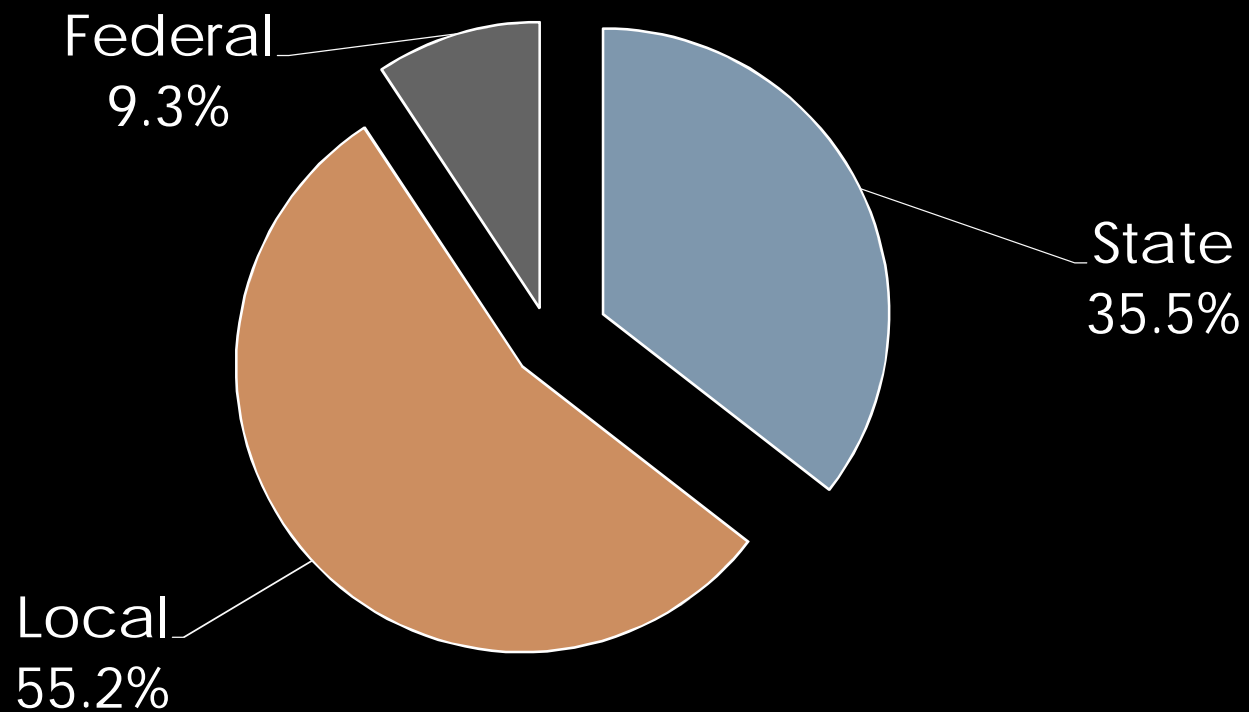
- Nationally: City School Boards, Local Boards, County School Boards, Consolidated School Boards
- Elected vs. Appointed
- RI: elected local school boards except
 - Providence – appointed by mayor
 - Central Falls – Board of Trustees appointed by state

What do we spend our money on?



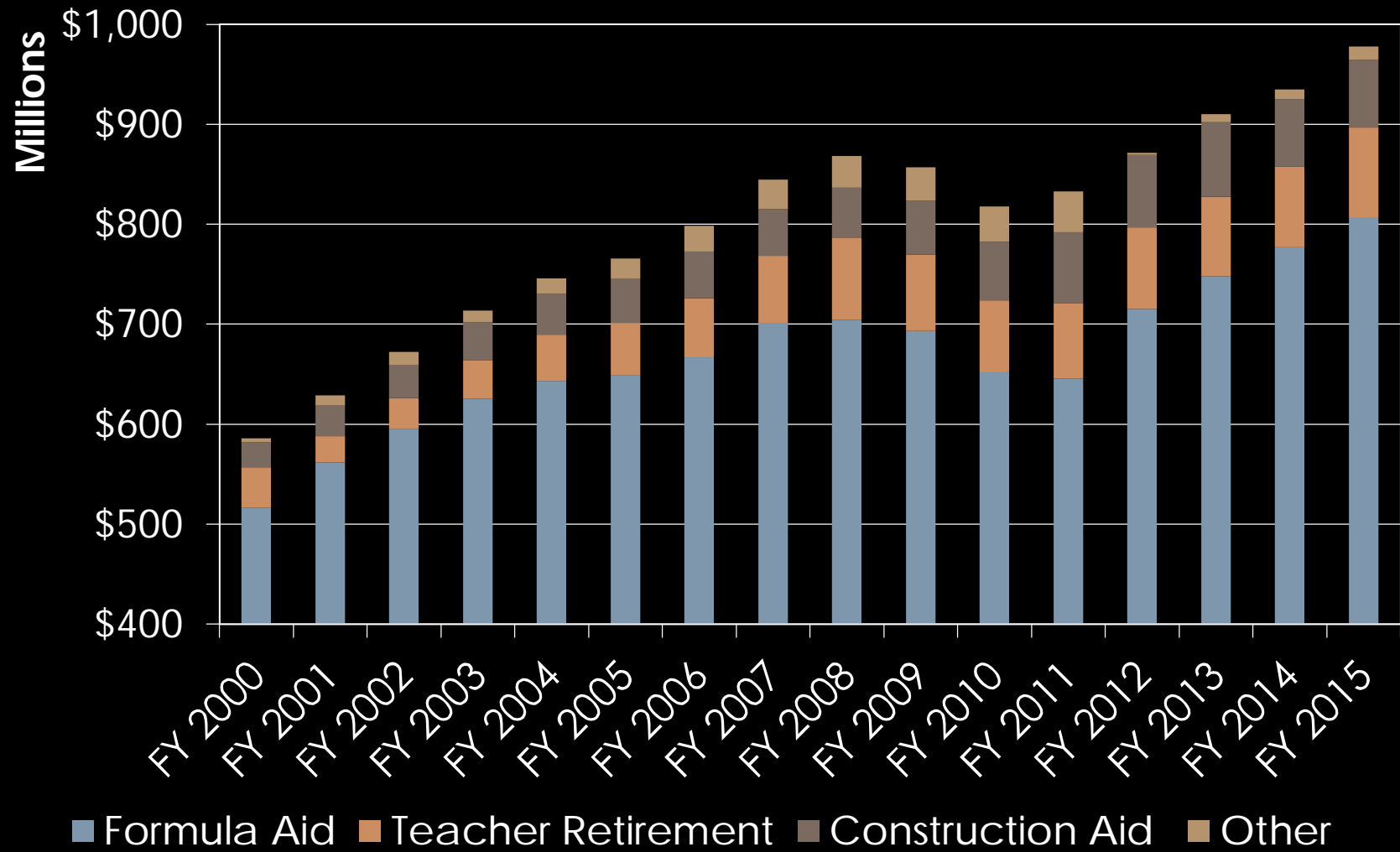
FY 2013, Department of Elementary and Secondary Education

How do we pay for it?



Data from United States Census Bureau, FY 2012

Education Aid History



Funding Formula

- 2010 Assembly adopted a funding formula beginning with the FY 2012 budget
- Distributes aid to all districts, charter schools and the state schools
- Based on the principle that the money follows the student

Funding Formula

- Includes
 - Core instruction amount per pupil
 - Single poverty weight as a proxy for student support
 - number of students eligible for free & reduced price lunch
 - State share ratio that considers the district's ability to generate revenues and its poverty concentration
 - Ranges from 8.6% to 95.4%

Funding Formula

- Charter and state schools, Met and Davies, subject to formula
 - State share ratio = that of sending district
 - Local share = local per pupil cost of sending district
- Central Falls subject to formula
 - Stabilization fund and annual evaluation of city's ability to pay

Core Instruction Amount

FY 2015	Not Eligible for FRPL	Eligible for FRPL
Core instruction amount	\$8,966	\$8,966
40% weight	-	3,586
Per student amount	\$8,966	\$12,552

- This is the basis for the rest of the calculation
- Core Instruction amount based on New England averages – updated annually

Funding Formula

- Why one weight as proxy for student needs?
 - Research shows poverty density is good predictor of concentration of student need
 - Single weight is used by many states
- Poverty data is defined federally
 - Difficult to manipulate data for favorable outcome
- Other weights can provide incentive to classify a particular way to drive funding

Funding Formula

- Initial cost estimates produced winners and losers with total cost of ~\$50 million
- Phased in over 10 years to avoid shocks to state budget & “losing” districts
 - “winners” (currently underfunded) fully funded by year 7
 - “losers” (currently overfunded) full loss by year 10
 - FY 2016 is year five

Funding Formula History

	FY 2012	FY 2013	FY 2014	FY 2015	4 year growth
Core instruction	\$8,333	\$8,679	\$8,897	\$8,966	7.6%
CI w/student success factor	\$9,800	\$10,281	\$10,580	\$10,671	8.9%
Enrollment	140,446	139,911	139,961	140,165	(0.5%)
FRPL	63,446	65,968	68,107	68,770	8.4%
FRPL % of Enrollment	45.2%	47.1%	48.7%	49.0%	

Funding Formula History

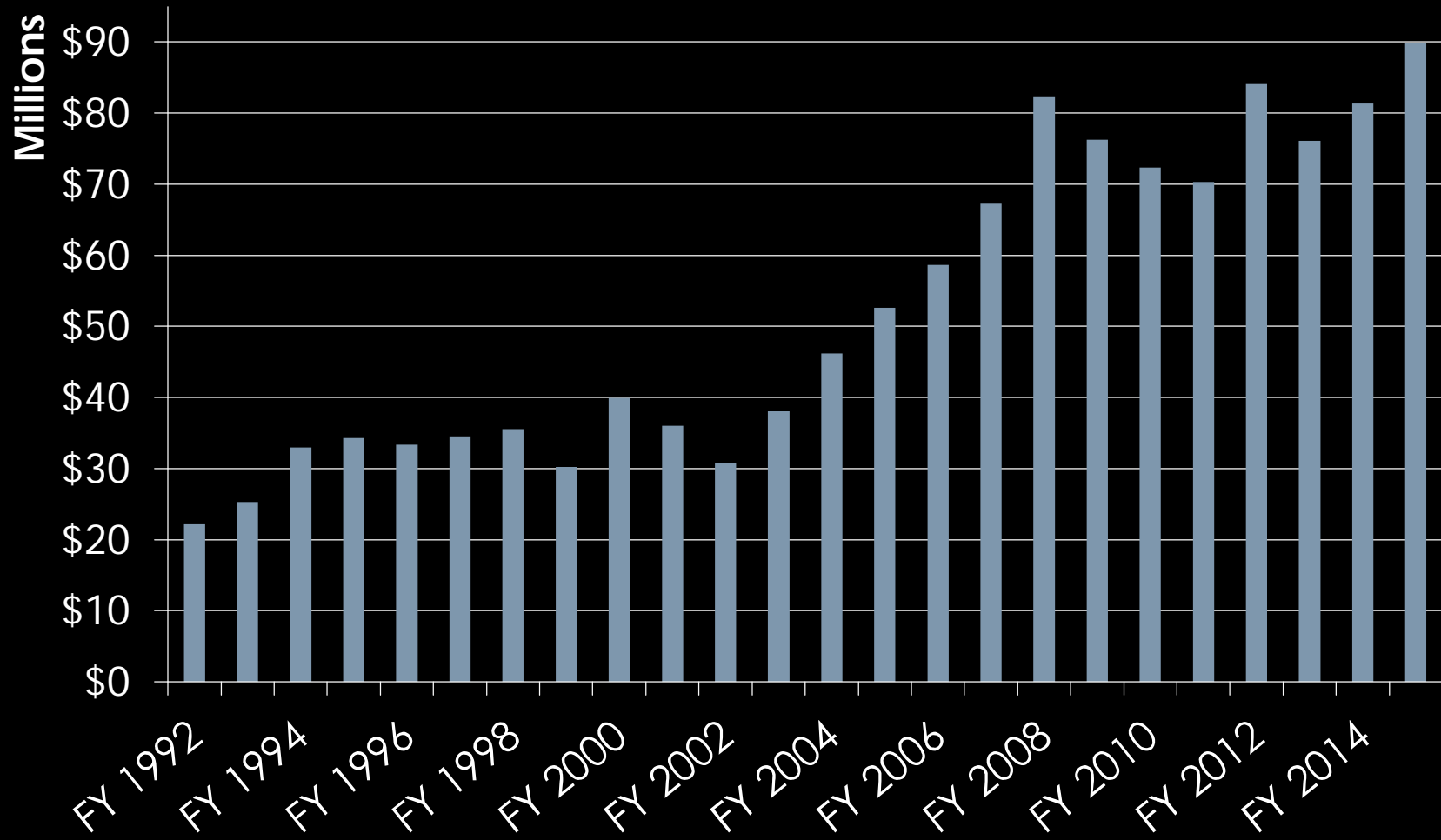
	FY 2012	FY 2013	FY 2014	FY 2015	4 year growth
Weighted average state share ratio	50.6%	51.1%	51.9%	52.6%	4.0%
Effective Aid per Student	\$5,269	\$5,613	\$5,838	\$5,968	13.3%

Teacher Retirement

- State funds 40% of employer share
 - Does not vary by wealth of community
 - State does not limit what communities pay their teachers
- Teacher rate set in law

Teacher Group	Defined Benefit	Defined Contribution	Addtl. Contribution	Total
w/ Soc. Sec.	3.75%	5.00%	n/a	8.75%
w/o Soc. Sec.	3.75%	5.00%	2.00%	10.75%

Teacher Retirement



School Construction Aid

- State reimburses cities and towns for a share of school capital projects
 - Includes principal and interest
- State shares are based on a district's wealth compared to state wealth
- Minimum state share is 35%
 - 18 communities for FY 2015
- Charter schools get 30%
- Bonuses for regionals & energy related

School Construction Aid

Regional Districts FY 2015	Base Share Ratio	Adjust for 35% Min.	Regional Bonus	Share Ratio	Funding Formula Share
Bristol-Warren	15.9%	35.0 %	28.0%	63.0%	36.7%
Chariho	11.1%	35.0%	26.0%	61.0%	18.7% - 49.1%
Exeter/West Greenwich	14.2%	35.0%	26.0%	61.0%	27.1%
Foster/Glocester	39.6%	-	14.0%	53.6%	41.7%

School Construction Aid

Minimum Share Districts FY 2015	Base Housing Aid Share Ratio	Adjust for 35% Minimum	Funding Formula Share Ratio
Barrington	7.6%	35.0%	21.2%
East Greenwich	-9.7%	35.0%	12.7%
Jamestown	-162.8%	35.0%	8.6%
Lincoln	31.0%	35.0%	39.6%
Little Compton	-319.3%	35.0%	13.7%
Middletown	13.4%	35.0%	32.9%
Narragansett	-184.7%	35.0%	18.9%
Newport	-90.9%	35.0%	46.7%
New Shoreham	-1440.3%	35.0%	9.5%

School Construction Aid

Minimum Share Districts FY 2015	Base Housing Aid Share Ratio	Adjust for 35% Minimum	Funding Formula Share Ratio
North Kingstown	7.5%	35.0%	27.3%
North Smithfield	30.9%	35.0%	35.9%
Portsmouth	-29.1%	35.0%	11.3%
Scituate	24.7%	35.0%	32.5%
Smithfield	3.4%	35.0%	21.8%
South Kingstown	-8.2%	35.0%	18.5%
Tiverton	14.3%	35.0%	32.6%
Warwick	28.7%	35.0%	41.3%
Westerly	-40.8%	35.0%	28.7%

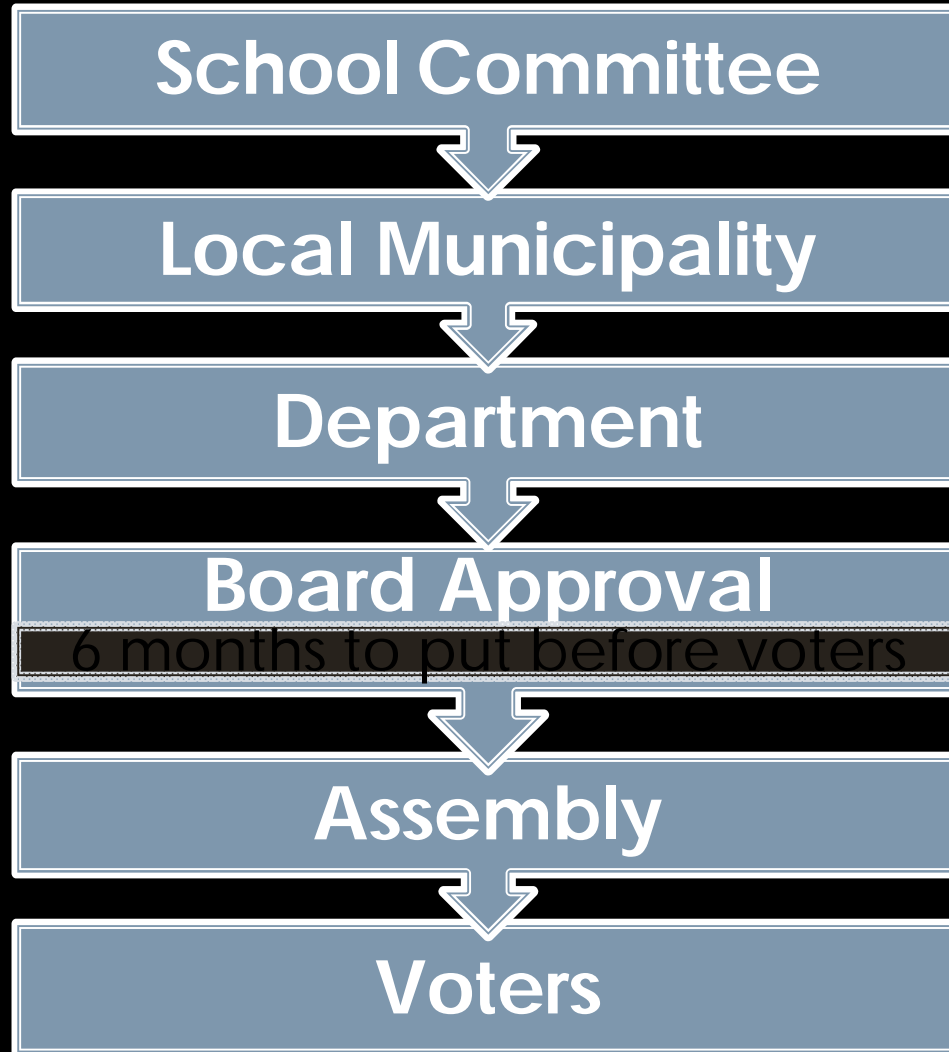
School Construction Aid

Non-Minimum Districts FY 2015	Housing Aid Share Ratio	Funding Formula Share Ratio
Burrillville	55.2%	53.6%
Coventry	49.9%	48.3%
Central Falls	95.7%	95.4%
Cranston	49.8%	54.3%
Cumberland	41.0%	42.2%
East Providence	48.3%	56.9%
Foster	37.1%	40.4%
Glocester	41.0%	42.5%

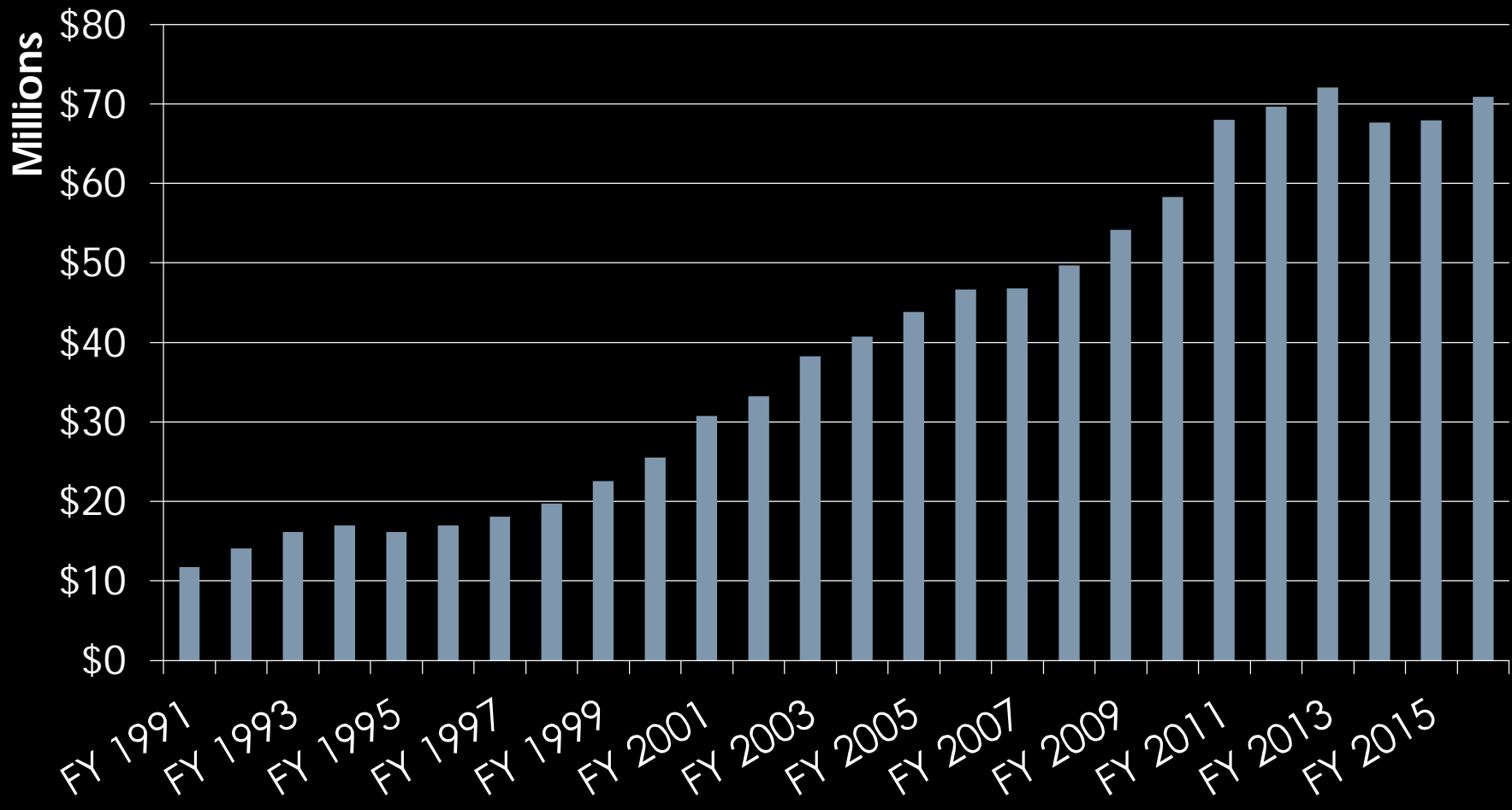
School Construction Aid

Non-Minimum Districts FY 2015	Housing Aid Share Ratio	Funding Formula Share Ratio
Johnston	42.6%	51.8%
North Providence	53.6%	56.1%
Pawtucket	81.5%	83.3%
Providence	81.1%	88.0%
West Warwick	62.0%	62.7%
Woonsocket	85.0%	84.2%

School Construction Aid – Approval Process



School Construction Aid - Funding History



School Construction Aid - Funding History

- Prior to FY 1998 only projects supported by GO bonds were reimbursed
- 1997 Assembly expanded program
- Beginning in 2003, the Assembly made various legislative changes in an effort to control growth because of concerns over escalating costs

School Construction Aid - Funding History

- 2003 Assembly limits bond interest aid to those financed through RIHEBC for favorable rates and low administrative cost to districts
- Sunsets Regents' approval after 3 years
- 2003 Assembly instructed RIDE to study cost of building new schools
 - Report submitted on March 29, 2004
 - School Construction Regulations adopted by Regents in May 2007

School Construction Aid - Funding History

- 2007 Assembly requires every project to receive its approval
- 2008 Assembly requires bonds be refunded when savings are available
 - Savings split based on share ratio
- 2013 Assembly provides 80% of refunding savings to locals

School Construction Aid - Funding History

- 2011 Assembly imposed a 3-year moratorium on new project approvals
 - Exception for health and safety reasons
 - Required RIDE to develop recommendations for cost containment strategies
- 2014 Assembly extended to May 1, 2015
- \$162.0 million has been approved since moratorium
 - \$75.7 million of that in summer of 2014

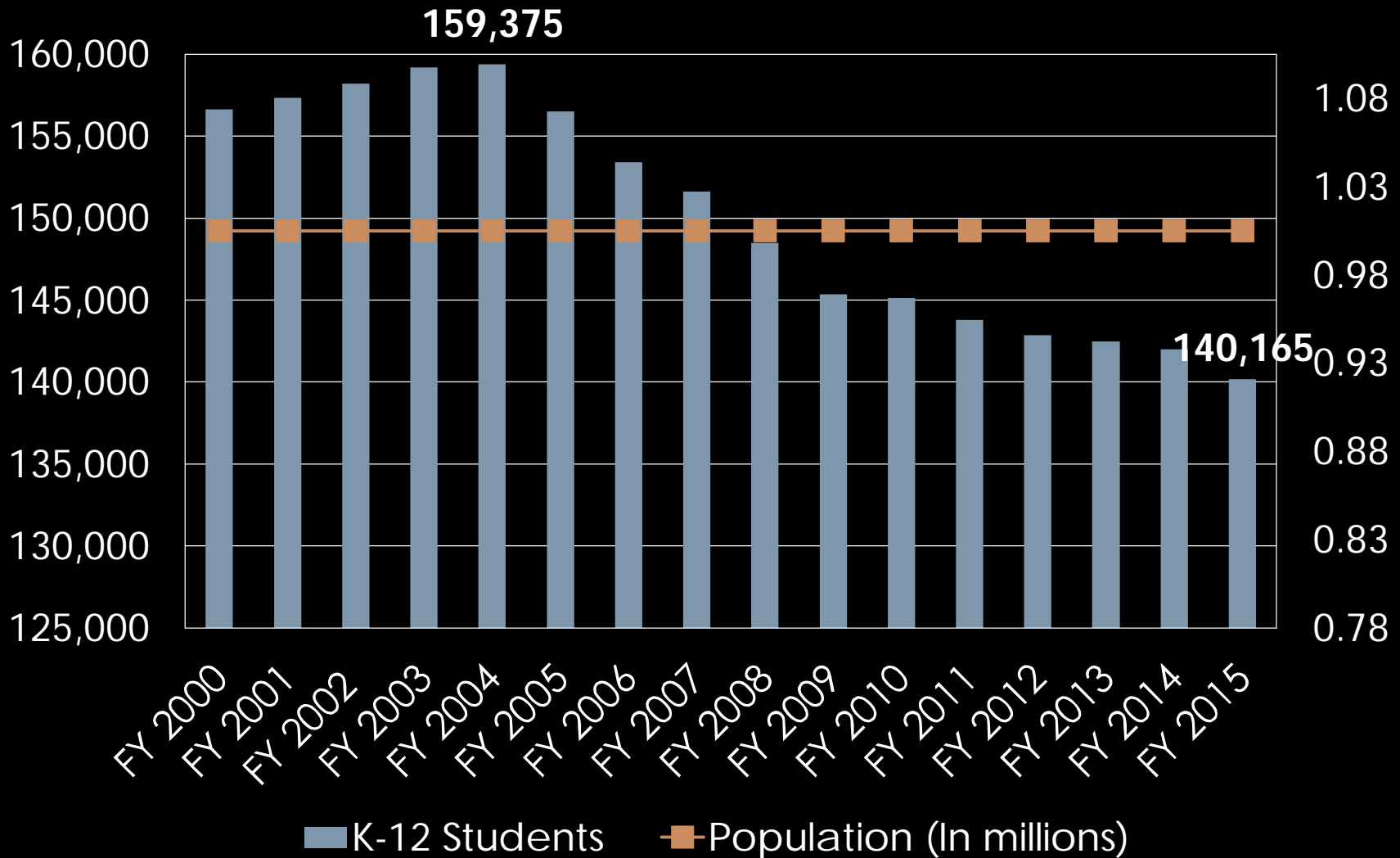
2013 Report: Public Schoolhouse Assessment

- Based on 2011 mandate, RIDE released report at the end of March 2013
 - Evaluates capacities and building conditions
 - Makes recommendations
 - Based on FY 2012 data

2013 Report: Public Schoolhouse Assessment

- Findings:
 - 70% of schools built between 25 and 75 years ago
 - Older buildings more costly to maintain
 - Majority constructed between 1952 and 1977
 - Excess capacity at every school level
 - Elementary Schools: 12.3%
 - Middle Schools: 25.3%
 - High Schools: 23.0%

Population/K-12 Enrollment



2013 Report: Public Schoolhouse Assessment

- Findings:
 - Urban Ring districts have greatest excess capacity at 24.9%
 - Suburban districts: 21.8%
 - Urban districts: 6.5%

Type	Districts
Urban	Central Falls, Pawtucket, Providence, Woonsocket
Urban Ring	Cranston, East Providence, Johnston, Newport, North Providence, Warwick, West Warwick
Suburban	All other

2013 Report: Public Schoolhouse Assessment

Recommendations:

- Districts should consider consolidating and or closing schools
 - Shrinking population of school-aged children
 - Budget pressures
 - Deteriorating facilities
 - Growth of charter schools
- Gain efficiencies by consolidating districts
 - Kent, Washington and Newport counties have excess capacities over 25%

2013 Report: Public Schoolhouse Assessment

Recommendations:

- Reconfigure schools to resolve capacity issues
- Districts should establish capital reserve funds for asset protection projects
- State should consider establishing a state capital reserve fund for school construction projects to fund on pay-go basis to avoid interest costs

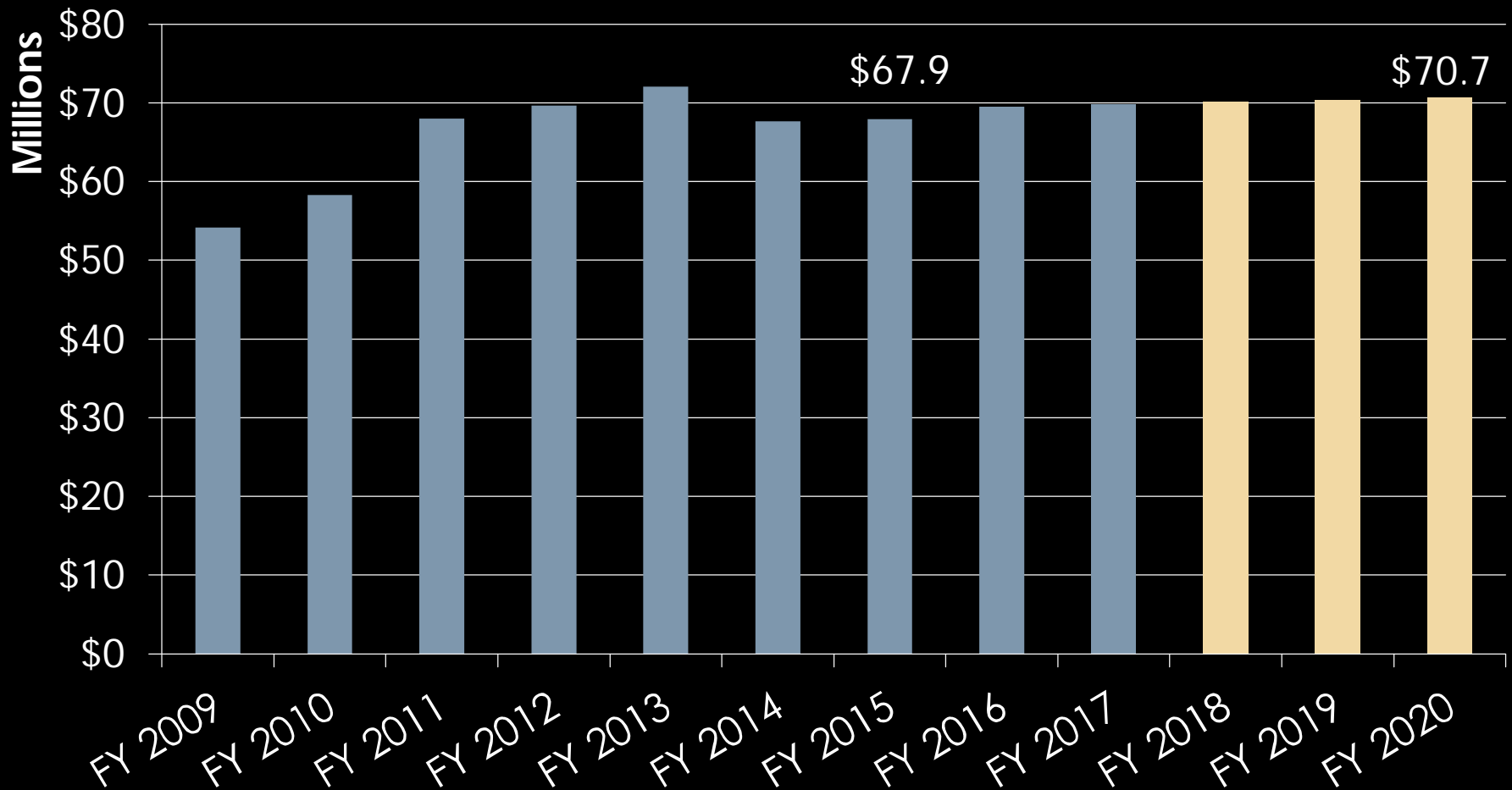
School Construction Aid

Recommendation	Authority	How will it Save?
Consolidate districts, Regionalization	State/ District	Consolidate facilities with excess capacity, fewer buildings, fewer administrators
Require capital reserve fund	Districts	Less money out to bond, less debt
School closures	Districts	Building maintenance
Grade reconfiguration	Districts	Maximize existing building facilities
Energy Efficient Maintenance and Operations	Districts	Utility savings
Energy Efficient School Design	Districts	Utility savings

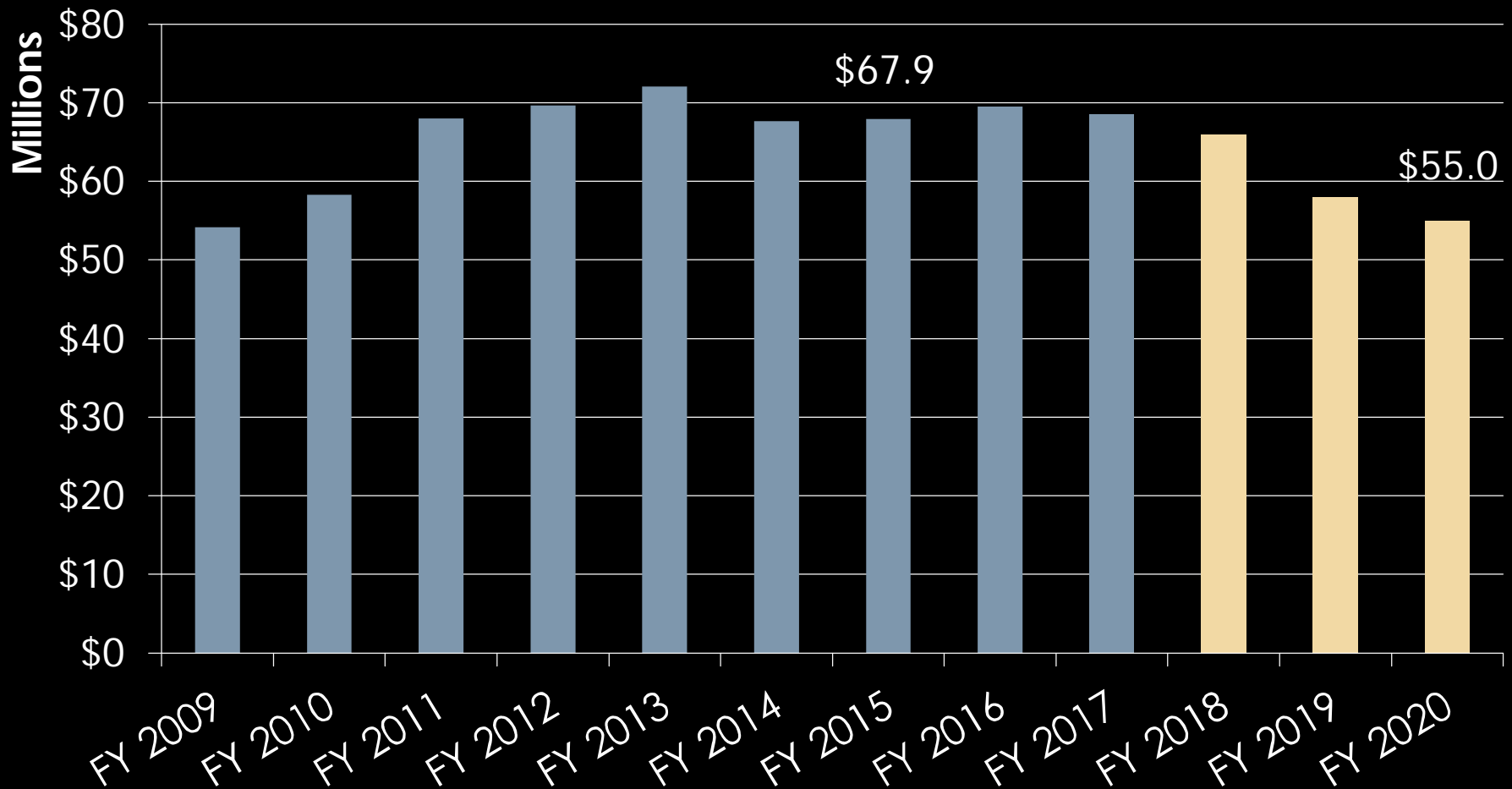
School Construction Aid

- Recommendations mostly focus on items under district control
- Estimates of need vary by source and what is included, RIDE surveys suggest
 - \$600 million in deferred projects
 - \$1.8 billion to bring all schools up to good condition
 - No independent assessment done
 - Different from expected project approvals

Construction Aid Out Year Estimate



Construction Aid Out Year Estimate – No New Projects



Massachusetts' Program

- 2004 legislature created Massachusetts School Building Authority (MSBA)
- Independent authority – 7 members
- Staff of about 70 people currently
- Dedicated 1 cent of state's 6.25 cent sales tax (excluding meals) to the MSBA
 - Value of one cent = ~ \$775 million

Massachusetts vs. RI

	Mass	RI
Application	Once a year	rolling
Approval Process	Feasibility/A&E first; voter approval then construction	Entire project approved at once
Financing	Any	RIHEBC
Aid	As expenses occur	completion
Min/Max Shares	31% - 80%	35% - no max
Source of funding	1% of 6.25% sales tax	Gen. Rev. (current \$= ½% sales tax)

Other Education Aid

- Categorical Funds
- All Day Kindergarten Pilot Program
- Textbook Loans
- School Breakfast

Categorical Funds

Categorical Fund	FY 2012	FY 2013	FY 2014	FY 2015
High Cost Special Ed	\$ -	\$0.5	\$1.0	\$1.5
Career and Technical	-	3.0	3.0	3.5
Early Childhood	-	1.5	2.0	3.0
Transportation	1.1	2.2	3.3	4.4
Regional. Bonus	0.9	0.4	-	-
Total	\$1.9	\$7.5	\$9.2	\$12.3

In millions

Categorical Funds

- High Cost Special Education
 - Excess costs related to high-cost special education students
- Career and Technical Education
 - Help for existing programs or create new programs and offset costs associated with facilities, equipment maintenance, repairs and supplies
 - Provided at discretion of RIDE

Categorical Funds

- Early Childhood
 - Used to increase access to voluntary, free, high quality pre-kindergarten programs
 - Distributed to pre-kindergarten sites selected through a RFP process
- Transportation
 - Provided to mitigate excess costs associated with transporting students to out-of-district non-public schools and within regional school districts

Categorical Funds

- Regionalization Bonus
 - Funding formula includes 2-year limited bonus for regionalized districts
 - Included in FY 2012 and FY 2013 for the existing regionalized districts
 - Available to districts that regionalize in the future

Other Aid

- All Day K Pilot Program - \$0.3 million
 - One-time, start up costs for districts moving from part-time to full-day K
- Textbook Loans - \$0.2 million
 - Reimburses districts for textbooks provided by districts to non-public students K-8
- School Breakfast - \$0.3 million
 - Administrative costs associated with program

Related Issues

Issues Facing Locals

- Property tax limits and yields
 - Effects of recession
- Long term liabilities
 - Pensions
 - Retiree Health
- Uncertainty of state support

State Mandates

- State law requires a report on all state mandates enacted since 1979
- Requires Budget Office forward the costs for unfunded mandates to the governor for consideration
- FY 2010 report identifies 86 mandates
- FY 2008 report noted \$1.1 million in costs
 - FY 1992 was last reimbursement state made

Fiscal Stability Act

- Enacted by 2010 Assembly
- Established mechanism for state to work with municipalities in financial distress
- State provides oversight at varying levels, depending on circumstances and distress in community
 - Municipality must reimburse state for administrative and oversight costs
- 2014 Assembly included Fire Districts

Fiscal Stability Act

Entity	Date	Action Taken
Central Falls	July 16, 2010	Receiver Appointed
	April 15, 2013	Receivership Dissolved
East Providence	Dec. 11, 2011	Budget Commission Appointed
	Sept. 16, 2013	Commission Dissolved
Woonsocket	May 29, 2012	Budget Commission Appointed
Central Coventry Fire District	May 6, 2014	Receiver Appointed

Local Pension and OPEB Study Commission

- Commission created as part of the Retirement Security Act in 2011
 - 14 members
 - Goal to review existing legislation and local pension plan administrative practices
 - Began meeting in summer of 2012

Local Pension and OPEB Study Commission

- Commission met with communities
 - Reviewed actuarial valuations & FIPs
 - Surveyed communities on:
 - Governance structure
 - Plan documents
 - Fiduciary responsibilities
- January 2015 Report finds need for continued oversight
 - Current unfunded liability estimates:
\$2.1 billion for pensions; \$3 billion for OPEB

Local Pension and OPEB Study Commission

- Recommendations
 - Establish a permanent oversight board
 - Strengthen plan status reporting and notice processes
 - Continue funding Municipal Incentive Aid
 - State Investment Commission should establish voluntary program for investment of local assets
 - Monitor OPEB plans

Local Maintenance of Effort

- State law requires that communities contribute at least the same amount of local funds to schools as the previous fiscal year
 - Allowances made for decreases in enrollment and one-time expenditures
- In 2012, about half of local expenditures went to schools
 - Varies by district

Recent Efforts for Efficiencies

Initiative	Proposed	Implemented
Joint Purchasing	FY 2007	FY 2007
Statewide Teacher Contract*	FY 2004	
Administrative Districts	FY 2009	
Statewide Food Service Contract	FY 2009	
Statewide Transportation	FY 2010	FY 2010
Municipal Shared Services Review	Ongoing	

*cost/benefit analysis; no formal proposal emerged

How We Compare

Revenues: How We Compare

Share of State & Local Taxes	US	RI
Individual Income	22.1%	20.7%
Property	32.1%	44.9%
General Sales	22.7%	16.1%
Selective Sales	11.6%	12.6%
All Other Taxes	11.4%	5.5%

FY 2012 Census

Revenues: How We Compare

Share of Local Taxes	US	RI
Individual Income	4.5%	0.0%
Property	73.5%	97.6%
General Sales	11.8%	0.0%
Selective Sales	4.8%	1.0%
All Other Taxes	5.3%	1.3%

FY 2012 Census

Property Taxes: How We Compare

State-wide Average Property Tax Rate	Percent per \$1,000 value	Rank
US Average	1.053%	-
Rhode Island	1.489%	40
Massachusetts	1.119%	31
Connecticut	1.525%	41
Florida	1.073%	30

The Tax Foundation, "Facts and Figures 2014"

Public School Revenue: How We Compare

	State	Local	Federal
Rhode Island	35.5%	55.2%	9.3%
New England	46.0%	46.6%	7.4%
U.S. Average	45.5%	44.5%	10.0%

2012 Data, U.S. Census

Per Pupil Expenditures: How We Compare

Fiscal Year	RI	New England	US	RI Rank
2002	\$9,718	\$9,136	\$7,701	8
2007	\$12,612	\$12,318	\$9,666	7
2012	\$14,005	\$14,374	\$10,608	8

2012 Data, U.S. Census

Education: How We Compare

FY 2013	RI	MA
Number of Schools	296	1,860
Number of Students	139,911	955,844
Average Number of Students per school	472.7	513.9
Number of Teachers	13,448	70,489
Student to Teacher Ratio	10.40	13.56

Source: RIDE InfoWorks & MA Department of Education

Local Aid and Related Issues

Staff Presentation to the House
Finance Committee
February 25, 2015