



Mayor of Providence

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Brett P. Smiley

May 7, 2026

The Honorable Louis P. DiPalma, Chair  
Senate Finance Committee  
Rhode Island State House  
82 Smith Street  
Providence RI, 02903

Dear Chair DiPalma and Honorable Members of the Committee:

I am writing to express my strong support for Senate Bill 2552, *An Act Relating to Towns and Cities – State Aid*. If enacted, this legislation would increase the amount of state aid distributed to towns and cities through Payment in Lieu of Taxes (PILOT) from 27 percent to 30 percent.

The City of Providence is the largest PILOT community in the state and is uniquely impacted by the structure of the state PILOT program. Approximately 48 percent of the City's land is owned by tax-exempt nonprofit institutions, representing an estimated \$8 billion in assessed value. While these institutions provide benefits to the City and the State as a whole, the loss of property tax revenue significantly constrains Providence's tax base, even while the City continues to provide municipal services to these entities.

The PILOT program's 27 percent reimbursement rate has not been updated since 1986, when the state PILOT program was created. While the reimbursement rate has remained unchanged, property values, service demands, and the cost of delivering municipal services have all increased substantially. Increasing the reimbursement rate would help align the PILOT program more closely with current economic realities and better reflect the actual fiscal impact of tax-exempt properties on municipalities.

The existing 27 percent reimbursement is also not guaranteed. PILOT funding is decided by annual appropriation, and the State has not always fully funded the statutory amount. When this happens, PILOT payments are proportionally reduced across all municipalities. This results in Providence, as the largest PILOT community and with nearly half of its property being tax-exempt, experiencing particularly significant revenue shortfalls. Senate Bill 2552 would eliminate language in the statute that directs the State to proportionally reduce PILOT payments to municipalities if the annual appropriation is insufficient, allowing flexibility in how reimbursements are calculated.

State PILOT aid also plays an important role in reducing pressure on taxpayers. Without adequate reimbursement for tax-exempt properties, municipalities are forced to rely on property taxes from residential and commercial properties to fund essential city services, contributing to higher property tax burdens for residents and businesses. An increase in state aid through the PILOT program would allow municipalities to take a more balanced approach to generating revenue and would provide greater stability for taxpayers.

Looking to our neighboring states, the State of Connecticut also has a similar state PILOT program. While Connecticut's program is also constrained by appropriations, its tiered structure recognizes both the difference in fiscal capacity and the impact of tax-exempt properties on a municipality's tax base. Connecticut's Tiered PILOT program applies different reimbursement rates to the different categories of tax-exempt property and also adjusts the actual payments to municipalities based on property wealth, school district needs, and percentage of tax-exempt properties, which results in higher reimbursements for lower wealth municipalities with a large number of tax-exempt properties. In FY2025, New Haven received over \$96 million as its PILOT allocation, more than double Rhode Island's entire state PILOT allocation for the same time frame. Hartford and Bridgeport, the next highest, received over 60 million and 22 million respectively.

Senate Bill 2552 is a critical step towards modernizing a program that has not been meaningfully updated in decades and towards addressing the fiscal pressures faced by municipalities with a concentration of tax-exempt properties.

I thank Senator Famiglietti for sponsoring Senate Bill 2552 and respectfully urge the committee to vote in favor of this legislation.

Sincerely,



Brett P. Smiley  
Mayor