

SAM ZURIER

July 12, 2011

Dear Fellow East Siders:

Last night, the City Council Finance Committee approved a \$614 million budget for the fiscal year that began on July 1. The budget is almost \$25 million less than the previous year's, and \$3 million less than the one proposed by the Mayor. The latter savings resulted from the Finance Committee's line-by-line review, which resulted in a series of reductions the Mayor accepted. The budget is balanced, closing a \$110 structural deficit without resorting to borrowing, asset sales or other "one time fixes." The City Council will vote on the budget at meetings scheduled for this Thursday (July 14) and next Monday (July 18).

The Mayor's budget proposed closing \$95 million of the structural deficit through a series of labor contract savings, general reductions, increased State aid and greater payments from tax exempt institutions. For the most part, he was able to achieve these \$95 million in savings. The \$3 million in additional budgetary savings the Council found will be applied to address some shortfalls that occurred in the Mayor's efforts.

The Mayor proposed closing the final \$15 million of the deficit with a tax increase that would raise real estate rates by 13.5%, while retaining the current exemption structure. Last night, the Finance Committee approved a tax package that will raise the \$15 million, but from a broader base. More specifically, the Council tax levy will increase automobile tax revenues by reducing the rate from \$76.70 per thousand to \$60 per thousand, but also reducing the exemption from \$6,000 to \$1,000. This change will produce the majority of the \$15 million needed, and will actually result in a tax reduction for high value automobiles (\$23,000 or greater). The property tax increase for houses valued \$1 million or less will be 5%, rather than the 13.5% proposed in the Mayor's budget. For homes valued in excess of \$1 million, the homestead exemption will remain at 50% for the first \$1 million in value, but reduce to 33% for the excess. For the median value home in this cohort (\$1.4 million), this change will result in an overall tax increase that will be in the same range as the 13.5% proposed in the Mayor's budget.

The current year budget also will feature a more restrictive homestead exemption (based on an ordinance I introduced) which will be limited to homeowners who register their Rhode Island cars in Providence, and who comply with an existing State law to register in Rhode Island all other cars that are garaged or parked overnight in Rhode Island for 30 days or more in a given calendar year. This change should result in significant additional motor vehicle tax revenues, as that revenue stream is tied to automobile registrations.

The City Council is committed to study the revenue structure next year and develop a more systematic approach to taxes. In the meantime, we believe that the current budget achieves the goals of (1) significant savings over last year, (2) no borrowing or gimmicks, and (3) a tax increase that, while regrettable, is less drastic and more balanced than the 13.5% increase contained in the Mayor's budget.

I would like to thank you for your interest in the City's issues. If you are interested in studying them further, please visit my website ([www.samzurier.com](http://www.samzurier.com)). You can find a collection of these letters by clicking on the "My Projects" tab and the "Issues" tab beneath it.

Sincerely,

